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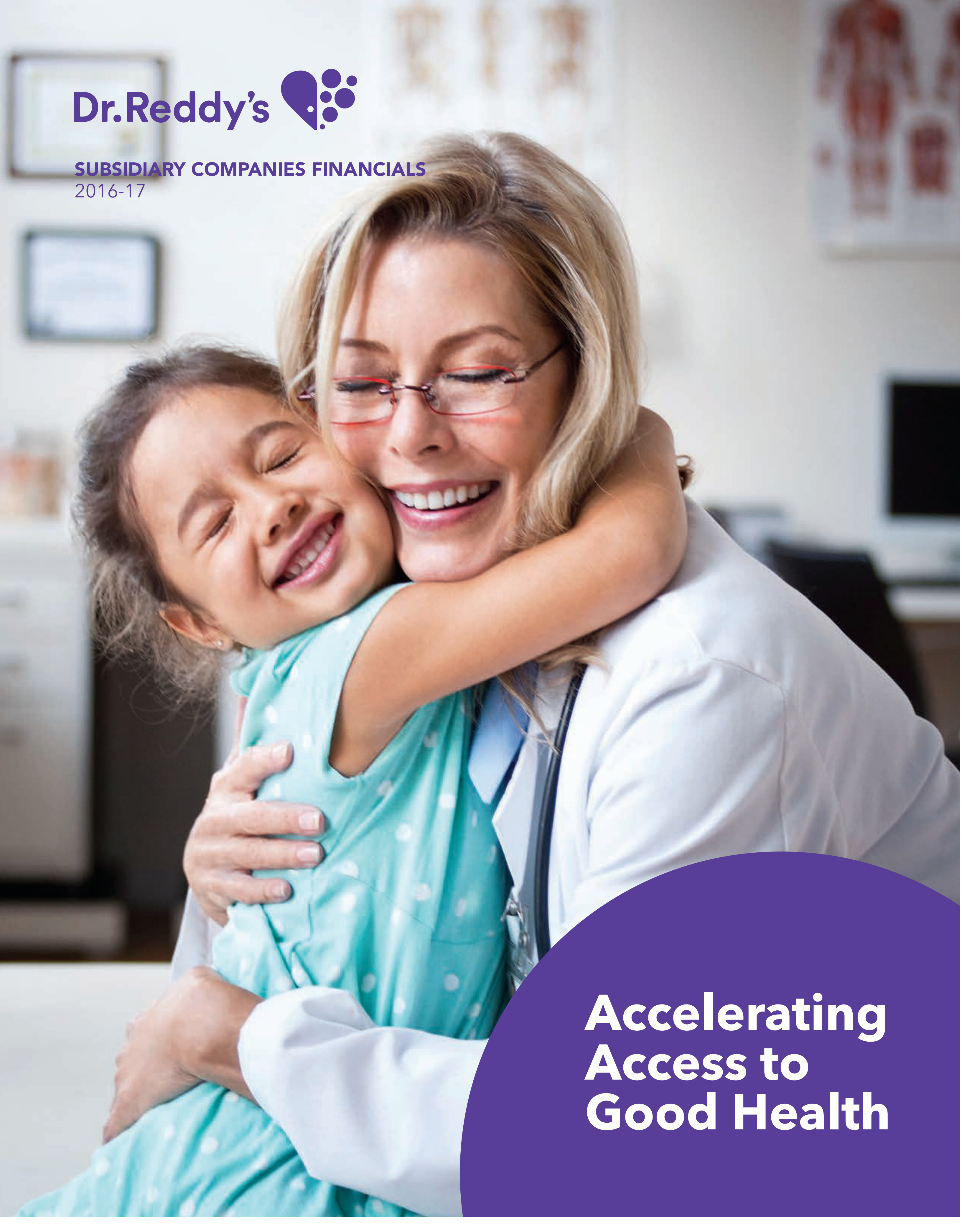

Accelerating Access to Good Health

Independent Auditors' Report

To the Members of **Aurigene Discovery Technologies (M) SDN BHD**

We have audited the accompanying financial statements of **Aurigene Discovery Technologies (M) SDN BHD**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	4,231	6,965	6,957
Capital work in progress		10	-	-
Financial assets				
Other financial assets	2.2	850	984	979
Other non current assets	2.3	62	73	54
Total non current assets		**5,153**	**8,022**	**7,990**
Current assets				
Financial assets				
Investments	2.4	13,920	-	-
Trade receivables	2.5	4,748	3,527	3,721
Cash and cash equivalents	2.6	5,579	15,172	8,275
Loans	2.7	181	170	357
Other current assets	2.8	413	1,275	644
Total current assets		**24,841**	**20,144**	**12,997**
Total assets		**29,994**	**28,166**	**20,987**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.9	15,604	15,604	15,604
Other equity				
Retained earnings		11,515	7,330	1,301
Total equity		**27,119**	**22,934**	**16,905**
Current liabilities				
Financial Liabilities				
Trade payables	2.10	203	218	272
Other current financial liabilities	2.11	2,563	4,923	3,810
Other current liabilities	2.12	109	91	-
Total Liabilities		**2,875**	**5,232**	**4,082**
Total equity and liabilities		**29,994**	**28,166**	**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

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies (M) SDN BHD**

C S N Murthy
Director

PSRVV Surya Rao
Partner
Membership No. 202367

Ashish Lath
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Revenue from operations	2.13	25,784	95,423
Other Income	2.14	1,938	633
Total Income		**27,722**	**96,056**
Expenses			
Cost of technical sub-contractors		-	43,494
Employee benefits expense	2.15	5	-
Depreciation and amortisation expense	2.16	2,734	5,239
Other expenses	2.17	20,798	41,272
Total expense		**23,537**	**90,005**
Profit before tax		**4,185**	**6,051**
Income tax expense	2.18	-	22
Profit for the year		**4,185**	**6,029**
Earnings per share			
Basic - Par value MYR 1 per share		4.19	6.03
Diluted - Par value MYR 1 per share		4.19	6.03
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies (M) SDN BHD**

C S N Murthy
Director

Ashish Lath
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 2017	For the year ended 31 March 2016
Operating activities		
Profit before taxation	4,185	6,051
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	2,734	5,239
Interest Income	(3)	(14)
Net foreign exchange differences	2,939	(323)
Operating cash flows before working capital changes	**9,855**	**10,953**
Working capital adjustments:		
Trade receivables	(1,845)	205
Trade payables	(14)	(261)
Other assets & liabilities,net	(2,218)	1,090
	5,778	**11,987**
Income tax paid	-	(41)
Net cash flows from operating activities	**5,778**	**11,946**
Net cash flows used in investing activities		
Purchase of tangible and intangible assets	(10)	(5,418)
Interest received	3	14
Purchase of investments	(13,920)	-
	(13,927)	**(5,404)**
Net cash flows from/ (used in) financing activities	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	(8,149)	6,542
Cash and cash equivalents at the beginning of the year	15,172	8,275
Effect of foreign exchange loss on cash and cash equivalents	(1,444)	355
Cash and cash equivalents at the end of the year	**5,579**	**15,172**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	5,579	15,172
Cash and bank balances at the end of the year	**5,579**	**15,172**

The accompanying notes are 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 of **Aurigene Discovery Technologies (M) SDN BHD**

PSRVV Surya Rao
Partner
Membership No. 202367

C S N Murthy
Director

Place: Hyderabad
Date: 9 May 2017

Ashish Lath
Director

Aurigene Discovery Technologies (M) SDN BHD

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2015	**1,000,000**	**15,604**	**1,301**	**16,905**
Shares issued during the year	-	-	-	-
Profit for the period			6,029	6,029
Balance as of 31 March 2016	**1,000,000**	**15,604**	**7,330**	**22,934**
Profit for the period	-	-	4,185	4,185
Balance as of 31 March 2017	**1,000,000**	**15,604**	**11,515**	**27,119**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies (M) SDN BHD**

C S N Murthy
Director

Ashish Lath
Director

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of
In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).
Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.
Assets:
An asset is classified as current when it satisfies any of the following criteria:
a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
Liabilities:
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.
Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.
A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.
Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.
When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.
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.
Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.
Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.
Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.
Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring
A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights
Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Aurigene Discovery Technologies (M) SDN BHD
Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern
The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions
a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Sales and services rendered to holding company or other group companies:		
Aurigene Discovery Technologies Limited	25,600	37,661

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

Particulars	As at 31 March 2017	As at 31 March 2016
Due from holding company and other group companies(included in trade receivables):		
Aurigene Discovery Technologies Limited	4,748	3,112

1.3 Taxation

a. Current Taxes
The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the company.

b. Deferred Taxes
The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.4 Provisions, Contingent Liabilities and Contingent Assets
Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.6 The company, incorporated in Malaysia, is a 100% subsidiary of Aurigene Discovery Technologies Limited.

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)

2.1 : Property, plant and equipment

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2016	Additions	Disposals	As at 31.03.2017	As at 01.04.2016	For the year	Disposals	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Electrical equipment	429	-	-	429	414	15	-	429	-	15
Laboratory equipment	25,382	-	2,066	23,316	18,976	2,174	2,066	19,085	4,231	6,406
Office equipment	6,094	-	-	6,094	5,549	545	-	6,094	-	545
TOTAL	**31,905**	**-**	**2,066**	**29,839**	**24,939**	**2,734**	**2,066**	**25,608**	**4,231**	**6,965**

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2015	Additions	Disposals	As at 31.03.2016	As at 01.04.2015	For the year	Disposals	As at 31.03.2016	As at 31.03.2016	As at 01.04.2015
Electrical equipment	390	39	-	429	357	57	-	414	15	33
Laboratory equipment	29,220	6,693	10,531	25,382	23,501	4,416	8,941	18,976	6,406	5,720
Office equipment	5,988	106	-	6,094	4,783	766	-	5,549	545	1,205
TOTAL	**35,598**	**6,838**	**10,531**	**31,905**	**28,641**	**5,239**	**8,941**	**24,939**	**6,965**	**6,957**

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

Non Current Assets

A. Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Other Non current assets			
Security Deposits	850	984	979
	850	**984**	**979**

B. Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Other non current assets			
Advance income tax, net of provision	62	73	54
	62	**73**	**54**

Current Assets

A. Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Current investments			
Investments carried at amortised cost	13,920	-	-
	13,920	**-**	**-**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.5 : Trade receivables			
(Unsecured,considered good)			
Receivable from holding company and other group companies	-	415	-
Receivable from Others	4,748	3,112	3,721
	4,748	**3,527**	**3,721**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.6 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	3,381	15,172	8,275
- Deposit accounts (original maturity less than three months)	2,198	-	-
	5,579	**15,172**	**8,275**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.7 : Loans and Advances			
Other advances	181	170	357
	181	**170**	**357**

B. Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.8: Other current assets			
Prepaid expenses	119	269	214
Balance with statutory agencies	189	859	-
Advances to material suppliers	105	147	430
	413	**1,275**	**644**

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

Note 2: Notes to the financial statements

2.9 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
1,000,000 (31 March 2016: 1,000,000; 1 April 2015: 1,000,000) shares of MYR 1 each	15,604	15,604	15,604
Issued equity capital			
1,000,000 (31 March 2016: 1,000,000; 1 April 2015: 1,000,000) shares of MYR 1 each	15,604	15,604	15,604
Subscribed and fully paid-up			
1,000,000 (31 March 2016: 1,000,000; 1 April 2015: 1,000,000) shares of MYR 1 each	15,604	15,604	15,604
	15,604	**15,604**	**15,604**

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

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
Number of shares outstanding at the beginning of the year	1,000,000	15,604	1,000,000	15,604	1,000,000	15,604
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**	**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 2017		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	% of equity shares	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%	1,000,000	100%

A. Financial Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.10 : Trade Payables			
Payables to holding company and other group companies	-	-	-
Payables to others	203	218	272
	203	**218**	**272**

2.11 : Other financial liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Other current financial liabilities			
Accrued expenses	2,483	4,923	3,296
Capital Creditors	80	-	169
Other liabilities	-	-	345
	2,563	**4,923**	**3,810**

B. Other Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.12 : Other Current Liabilities			
Due to statutory authorities	109	91	-
	109	**91**	**-**

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

Note 2: Notes to the financial statements

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.13 : Revenue from operations		
Service Income	25,784	95,423
	25,784	**95,423**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.14 : Other income		
Interest income		
On fixed deposits	3	14
Foreign exchange gain,net	1,935	619
	1,938	**633**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.15 : Employee benefits expense		
Salaries, wages and bonus	4	-
Contribution to provident and other funds	1	-
	5	**-**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.16 : Depreciation and amortisation expense		
Depreciation of tangible assets	2,734	5,239
	2,734	**5,239**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.17 : Other expenses		
Legal and professional	-	1,627
Selling expenses	-	10,310
Other general expenses	20,798	29,335
	20,798	**41,272**
2.18 : Tax expense		
Current tax expense	-	22
	-	**22**

Independent Auditors' Report

To the Members of **Aurigene Discovery Technologies Inc.**

We have audited the accompanying financial statements of **Aurigene Discovery Technologies Inc.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

Aurigene Discovery Technologies Inc.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Other non current assets	2.1	126	-	-
		126	**-**	**-**
Current assets				
Financial assets				
Cash and cash equivalents	2.2	1,187	3,789	1,687
Trade receivables	2.3	-	-	3,269
Total current assets		**1,187**	**3,789**	**4,956**
Total assets		**1,313**	**3,789**	**4,956**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.4	257,460	257,460	257,460
Other equity				
Retained earnings		(250,841)	(250,664)	(249,499)
Other reserves		(5,306)	(5,278)	(5,422)
Total equity		**1,313**	**1,518**	**2,539**
Current liabilities				
Financial Liabilities				
Other current financial liabilities	2.5	-	2,271	2,417
Total Liabilities		**-**	**2,271**	**2,417**
Total equity and liabilities		**1,313**	**3,789**	**4,956**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies Inc.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

G V Prasad
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 2017	For the year ended 31 March 2016
Expenses			
Other expenses	2.6	177	1,164
Total expense		**177**	**1,164**
Loss before tax		**(177)**	**(1,164)**
Income tax expense		-	-
Loss for the year		**(177)**	**(1,164)**
Earnings per share:			
Basic earnings per share of USD 1 each		(0.03)	(0.22)
Diluted earnings per share of USD 1 each		(0.03)	(0.22)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies Inc.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

G V Prasad
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 2017	For the year ended 31 March 2016
Operating activities		
Loss before taxation	(177)	(1,164)
Adjustments to reconcile profit before tax to net cash flows:		
Net foreign exchange differences	-	-
Operating cash flows before working capital changes	**(177)**	**(1,164)**
Working capital adjustments:		
Increase/(decrease) in trade receivables	-	3,424
Increase/(decrease) in other assets and liabilities,net	(2,295)	(282)
	(2,472)	**1,978**
Income tax paid	(126)	-
Net cash flows from operating activities	**(2,598)**	**1,978**
Net cash flows used in investing activities	-	-
Net cash flows from/ (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(2,598)	1,978
Cash and cash equivalents at the beginning of the year	3,789	1,687
Effect of foreign exchange loss on cash and cash equivalents	(4)	124
Cash and cash equivalents at the end of the year	**1,187**	**3,789**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,187	3,789
Cash and bank balances at the end of the year	**1,187**	**3,789**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies Inc.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

G V Prasad
Director

Aurigene Discovery Technologies Inc.

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Other Equity		Total Equity
	Shares	Amount	Other components of equity(OCI)	Retained Earnings	
Balance as of 1 April 2015	**5,215,000**	**257,460**	**(5,422)**	**(249,499)**	**2,539**
Foreign currency translation adjustments	-	-	144	-	144
Loss for the period	-	-	-	(1,164)	(1,164)
Balance as of 31 March 2016	**5,215,000**	**257,460**	**(5,278)**	**(250,664)**	**1,518**
Foreign currency translation adjustments	-	-	(28)	-	(28)
Loss for the period	-	-	-	(177)	(177)
Balance as of 31 March 2017	**5,215,000**	**257,460**	**(5,306)**	**(250,841)**	**1,313**

As per our report of even date attached

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies Inc.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

G V Prasad
Director

Aurigene Discovery Technologies Inc.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.
Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Related Party Transactions

a. The company has the following transactions with related parties :

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Services from holding company/other group companies:		
Dr. Reddy's Laboratories Inc.	-	791

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

Particulars	As at 31 March 2017	As at 31 March 2016
Due to holding company and other group companies(included in other current financial liabilities):		
Dr. Reddy's Laboratories Inc.	-	2,271

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.4 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.6 The company, incorporated in United States of America, is a 100% subsidiary of Aurigene Discovery Technologies Limited.

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

Note 2: Notes to the financial statements

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.1: Other non current assets			
Advance income taxes	126	-	-
	126	**-**	**-**

Financial Assets

2.2 : Cash and cash equivalents	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Balances with banks:			
- in current accounts	1,187	3,789	1,687
	1,187	**3,789**	**1,687**

2.3 : Trade receivables	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
(Unsecured,considered good)			
Receivables from other parties	-	-	3,269
	-	**-**	**3,269**

2.4 : Share capital	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
6,000,000 (31 March 2016 : 6,000,000;1 April 2015 : 6,000,000) equity shares of USD 1 each	276,000	276,000	276,000
Issued equity capital			
5,215,000 (31 March 2016 : 5,215,000;1 April 2015 : 5,215,000) equity shares of USD 1 each	257,460	257,460	257,460
Subscribed and fully paid-up			
5,215,000 (31 March 2016 : 5,215,000;1 April 2015 : 5,215,000) equity shares of USD 1 each	257,460	257,460	257,460
	257,460	**257,460**	**257,460**

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

Particulars	**As at 31 March 2016**		**As at 31 March 2015**		**As at 1 April 2015**	
	No. of equity shares	**Amount**	**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	5,215,000	257,460	5,115,000	251,181
Add: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**	**5,215,000**	**257,460**

(b) **Terms / rights attached to the 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**		**As at 1 April 2015**	
	No. of equity shares held	**% holding in the class**	**No. of equity shares held**	**% holding in the class**	**No. of equity shares held**	**% holding in the class**
Aurigene Discovery Technologies Limited	5,215,000	100%	5,215,000	100%	5,215,000	100%

Financial Liabilities

2.5 : Other current liabilities	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Due to holding company and other group companies	-	2,271	2,021
Accrued expenses	-	-	396
	-	**2,271**	**2,417**

2.6 : Other expenses	For the year ended 31 March 2017	For the year ended 31 March 2016
Legal and professional	171	177
Rates and taxes	6	193
Other general expenses	-	794
	177	**1,164**

Aurigene Discovery Technologies Limited
39-40, KIADB Industrial Area, Electronic City Phase II, Hosur Road, Bangalore - 560 100, India
Phone : +91 80 7102 5444 . Fax : +91 80 2852 6285
E-mail : info@aurigene.com . Web : www.aurigene.com
CIN : U24239KA2001PTC029391

Aurigene Discovery Technologies Limited

Board's Report

Dear Members,

Your Directors present the 16th Board's Report of the Company for the year ended 31 March 2017.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2016-17 as compared to previous financial year:

(Rs. in lacs)

Particulars	31-Mar-17	31-Mar-16
Income	19,613	19,010
Profit before interest, depreciation, amortization and tax	5,305	4,851
Depreciation and amortization	952	1,019
Interest on Income Tax	-133	98
Profit before tax	4,486	3,734
Tax expense	1,036	1,346
Profit after tax	3,450	2,388
Add: Balance brought forward	2,425	1,944
Total Available for Appropriation	5,875	4,332
Appropriations:		
Dividend paid on equity shares in the year ended	(1,811)	(1,585)
Tax on dividend paid in the year ended	(369)	(322)
Balance carried forward to Balance Sheet	**3,695**	**2,425**

State of Company's Affairs

The Company's net revenue for the year was Rs. 18,534 lacs, up 4% over the previous year. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 9% to Rs. 5,305 lacs. Profit before taxes (PBT) was Rs 4,486 lacs, an increase of 20% over the previous year.

Dividend

The Board feels that in order to fund growth projects that have the potential to provide increased income in the future, it is preferable to plough back the profits of the Company and hence directors do not recommend any dividend.

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 2017 - Aurigene Discovery Technologies (Malaysia) SDN BHD., Malaysia and Aurigene Discovery Technologies Inc., USA. None of these companies 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 July 27, 2016 has clarified that the provisions pertaining to manner of consolidation of accounts shall not be applicable if:

a) All the members of the Company have been intimated in writing for not presenting the financial statements and the members do not object to the same;
b) It is not a listed company nor in the process of listing;
c) The Company's ultimate holding company files the consolidated financial statements with the Registrar which are in compliance with the applicable accounting standards.

The Company complies with the said circular. Therefore 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-1 is attached as **'Annexure – I'** to the Board's Report.

Particulars of Loans, Guarantees or Investments

During the year, the Company has not:

1. Given any loans to any person or other body corporate;
2. Given any guarantee or provided security in connections with a loan to any other body corporate or person;
3. 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 five times during the financial year under review on: May 3, 2016, July 27, 2016, October 26, 2016, November 16, 2016 and February 14, 2017.

Board of Directors and Key Managerial Personnel

Pursuant to provisions of Section 152 of the Companies Act, 2013Mr. G V Prasad (DIN 00057433), 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. Vandana Bhatia resigned as Company Secretary of the Company with effect from February 14, 2017. Ms. Sudipta V has been appointed as Company Secretary of the Company with effect from February 14, 2017.

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 include 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.

For the Board evaluation, each director completed a questionnaire that involved peer evaluation and feedback on the processes of the board and its committees. The contribution and impact of individual members was evaluated on a number of parameters, such as level of engagement, independence of judgment, conflicts resolution and contributions to enhance the board's overall effectiveness. Peer ratings on certain parameters, positive attributes and improvement areas for each director were provided to them on a confidential basis.

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 2016-2017 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, Dr. Bruce L.A. Carter (Independent Director) and Mr. Saumen Chakraborty as members of the Committee. 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 as members of the Committee.

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, and can be accessed at the weblink: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(s) or arrangement(s) 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 Note no. 36 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 the financial year ended 31 March 2017. The Secretarial Audit Report for the financial year ended on 31 March 2017 is attached as **"Annexure V"** to this Report.

Statutory Auditors

M/s. S. R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W/E300004) were appointed as statutory auditors at the 15th AGM of the Company held on July 15, 2016 for a period of five years commencing from the conclusion of the 15th AGM, subject to ratification by the shareholders every year, as may be applicable.

The firm has consented and confirmed that the appointment is within the limits specified under section 141(3)(g) of the Companies Act, 2013. The statutory auditors have also confirmed that they are not disqualified to be appointed as such in terms of the proviso to section 139(1), section 141(2) and section 141(3) of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014. The audit committee and the board of directors recommend to the shareholders the ratification of appointment of M/s. S R Batliboi & Associates LLP, chartered accountants, as statutory auditors of the company from the conclusion of the 16th AGM till the conclusion of 17th AGM.

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 during the year.

Foreign exchange earnings and outgo

The details of foreign exchange earnings and expenditure are as under:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Earnings in foreign currency	17,539	15,926
Expenditure in foreign currency	2,659	2,790

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: April 26, 2017
Place: Hyderabad

G V Prasad
Director

Satish Reddy
Director

Annexure-I

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

(Amount in Rs.)

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,	31-03-2017	31-03-2017
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) 14.64	United States Dollar (USD) 64.85
4.	Share capital	1,46,52,500	33,81,92,750
5.	Reserves & surplus	1,09,89,609	(33,68,78,685)
6.	Total assets	2,84,73,617	13,14,065.00
7.	Total Liabilities	28,31,508	-
8.	Investments	-	-
9.	Turnover	2,44,42,919	-
10.	Profit before taxation	20,81,548	(1,71,223)
11.	Provision for taxation	1,27,828	-
12.	Profit after taxation	19,53,720	(1,71,223)
13.	Proposed Dividend	-	-
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: April 26, 2017
Place: Hyderabad

G V Prasad
Director

Satish Reddy
Director

Ashish Lath
Chief Financial Officer

Sudipta V
Company Secretary

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, 062 lakhs

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

   Rs 41.24 lakhs

5. Details of CSR spent during the financial year.

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

   Rs 37.39 Lakhs

   (b) Amount unspent, if any;

   Rs. 3.85 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)
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) Direct expenditure on projects	**(2) Overheads**		
1	Providing quality education to poor and meritorious students	Improving the quality of education	Local Area Karnataka-Bangalore	5.30	5.30		5.30	Direct- Sri Ananth Nagar Vidhyankethan School
2	Development of a Laboratory and Library for school	Improving the quality of education	Local Area Karnataka-Bangalore	3.59	3.59		3.59	Direct- Sri Ananth Nagar Vidhyankethan School
3	Development of a Library for school	Improving the quality of education	Karnataka-Chikkamagaluru	15.00	15.00		15.00	Direct - Sharee Shankara Vidya Samiti
4	Development of a computer literacy centre in village areas	Improving the quality of education	West Bengal – Punia Village	7.50	7.50		7.50	Direct - Punia Toruntirtha Club
5	Recognize, honour and celebrate outstanding individuals and their contribution	Identify the needs and priorities of the community and	Local Area Karnataka-Bangalore	5.00	5.00		5.00	Implimenting Agency - Namma Bengaluru Foundation, Bangalore

	towards making Bangalore city a better place to live in	implement relevant social programmes						
6	Improve access to quality healthcare for people and families with rare diseases and raise awareness through art workshops, camps and exhibitions, film screenings and other creative media	Creating health and hygiene awareness	Local Area Karnataka-Bangalore	1.00	1.00		1.00	Implimenting Agency - Centre for Health Ecologies and Technology, Bangalore
	TOTAL			**37.39**	**37.39**		**37.39**	

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 2016-17, 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.

CSN Murthy **Chief Executive Officer**	**Hariharnath Bugganna** **Chairman CSR Committee**

Annexure- IV

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 at arm's length basis and in ordinary course of business.
(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 36 of the Notes to Financial Statements.
(e)	Date(s) of approval by the Board, if any	NA
(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

Sudipta V
Company Secretary

Hyderabad | Gurgaon | Chennai | Mumbai

R & A Associates
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SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2017

[Pursuant to Section 204(1) of the Companies Act, 2013 and RuleNo.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** (herein after 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 andreturns filed and other records maintained by the Company andalso the information provided by the Company, its officers, agentsand authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Companyhas, during the audit period covering the financial year ended on 31st March, 2017 complied with the statutory provisions listedhereunder and also that the Company has proper Board-processesand compliance-mechanism in place to the extent, in the mannerand subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms andreturns filed and other records maintained by Company for the financial year ended on 31st March, 2017accordingto the provisions of:

i. The Companies Act, 2013 (the Act) and the rules madethereunder;
ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') andthe rules made thereunder(Not applicable to the Company during the Audit Period);
iii. The Depositories Act, 1996 and the Regulations and Bye-lawsframed thereunder (Not applicable to the Company during the Audit Period);
iv. Foreign Exchange Management Act, 1999 and the rules andregulations made thereunder to the extent of Foreign DirectInvestment, Overseas Direct Investment and External CommercialBorrowings;
v. The following Regulations and Guidelines prescribed under theSecurities and Exchange Board of India Act, 1992 ('SEBI Act'):-

R & A Associates Company Secretaries

a) The Securities and Exchange Board of India (SubstantialAcquisition 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 Capitaland 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 Listingof Debt Securities) Regulations, 2008 (Not applicable to the Company during the Audit Period);
f) The Securities and Exchange Board of India (Registrars to anIssue and Share Transfer Agents) Regulations, 1993 regarding theCompanies Act and dealing with client (Not applicable to the Company during the Audit Period);
g) The Securities and Exchange Board of India (Delisting ofEquity 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).

vi. 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 ofthe following:

i. Secretarial Standards issued by The Institute of CompanySecretaries 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 withproper balance of Executive Directors, Non-Executive Directorsand Independent Directors. The changes in the composition of theBoard of Directors that took place during the period under reviewwere carried out in compliance with the provisions of the Act.

Adequate notice is given to all the Directors to schedule the BoardMeetings, agenda and detailed notes on agenda were sent at leastseven days in advance, and a system exists for seeking andobtaining further information and clarifications on the agendaitems before the meeting and for meaningful participation at themeeting.

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

R & A Associates
Hyd-15
Company Secretaries

G. Raghu Babu
Partner
FCS No: 4448, CP No. 2820

Date: 25th April, 2017
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

R & A Associates Hyd-15 Company Secretaries

G. Raghu Babu
Partner
FCS No: 4448, **CP No.** 2820

Date: 25th April, 2017
Place: Hyderabad

Annexure VI

Statement of Particulars of Remuneration of top 10 employees in terms of remuneration and Employees (Employed for full year) in receipt of Remuneration
(Pursuant to 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	50	CEO	0	No	335.73	B Tech, MBA	27	April 1, 2005	Dr. Reddy's Laboratories Limited
2	Murali Ramachandra	56	Chief Scientific Officer	0	No	208.19	PhD	28	February 14, 2005	Schering Plough Corporation, USA
3	Chetan Pandit	56	Sr. Vice President - Medicinal	0	No	162.20	PhD	24	April 2, 2007	Naeja Pharmaceuticals
4	Susanta Samajdar	46	Vice President - Medicinal Chemistry	0	No	141.66	PhD	17	March 5, 2012	Jubilant Biosys
5	Rajshree K T	43	Director-Strategic Alliances	0	No	110.15	MBA	13	October 8, 2012	UBS.Service (INDIA) Private Limited.
6	Ashish Lath	39	Vice President - Finance	0	No	89.04	B Com, CA	17	October 29, 2012	Mahindra Reva Electric Vehicle pvt.
7	Sreevatsa Gopinath	44	Vice President - ED&L	0	No	85.00	MS	16	June 16, 2016	Saarum Sciences Pvt Ltd., Hyderabad.
8	Shekar Chelur	44	Research Director - Toxicology	0	No	56.52	M.VSc	18	February 18, 2004	Zydus Cadila
9	Rajesh Eswarappa	45	Associate Research Director -	0	No	47.15	PhD, DABT	22	April 17, 2014	Kemin Industries
10	Veerendra Patil	39	Director - HR	0	No	52.12	MBA	12	February 18, 2011	GMR Energy Ltd.

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 incentive.

ANNEXURE VII

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31 March, 2017
[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_l@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 ACTIVITES OF THE COMPANY

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

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

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

* Represents aggregate % of shares held.

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

i) Category-wise Share Holding

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	90,544,104	90,544,104	100	0	90,544,104	90,544,104	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	90,544,104	90,544,104	100	0	90,544,104	90,544,104	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**	**90,544,104**	**90,544,104**	**100**	**0**	**90,544,104**	**90,544,104**	**100**	**0**
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trust	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0

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

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

ii) Shareholding of Promoters

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

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		**Cumulative Shareholding during the year**	
	No. of Shares	**% of total shares of the company**	**No. of Shares**	**% of total shares of the company**
At the beginning of the year	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)	01.04.2016	1	0	0	0	0	0
		31.03.2017	1	0	0	0	0	0
2	Mr. G V Prasad (Director)	01.04.2016	1	0	0	0	0	0
		31.03.2017	1	0	0	0	0	0
3	Mr. Saumen Chakraborty (Director)	01.04.2016	1	0	0	0	0	0
		31.03.2017	1	0	0	0	0	0
4	Mr. Hariharnath Buggana (Independent Director)	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
5	Dr. Bruce L A Carter (Independent Director)	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
B.	**KEY MANAGEMENT PERSONNEL (KMPs)**							
6	Mr. CSN Murthy (Chief Executive Officer)	01.04.2016	10	0	0	0	0	0
		31.03.2017	10	0	0	0	0	0
7	Mr. Ashish Lath (Chief Financial Officer)	01.04.2016	1	0	0	0	0	0
		31.03.2017	1	0	0	0	0	0
8	Ms. Vandana Bhatia**	01.04.2016	0	0	0	0	0	0

	(Company Secretary)	14.02.2017	0	0	0	0	0	0
9	Ms. Sudipta V	14.02.2017	0	0	0	0	0	0
	(Company Secretary)***	31.03.2017	0	0	0	0	0	0

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

** Resigned w.e.f. February 14, 2017.

***Appointed w.e.f February 14, 2017

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, 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
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, 2017)				
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	Dr. 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** -
	Total (1)	-	**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**
	Total Managerial Remuneration	-	**1,000,000**	**1,000,000**	**2,000,000**
	Overall Ceiling as per the Act	**Rs. 44.86 Lakhs**			

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	Company Secretary	
		CSN Murthy	Ashish Lath	Vandana Bhatia#*	Sudipta V #**	
1	**Gross Salary**					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	32,963,400	8,665,200	0	0	41,628,600
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0	5,400	0	0	5,400
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0	0	0	0	0
2	Stock Option	0	0	0	0	0
3	Sweat Equity	0	0	0	0	0
4	Commission	0	0	0	0	0
	- as a % of profit	0	0	0	0	0
	- others	0	0	0	0	0
5	Others, please specify - Company's contribution to PF	609,600	238,800	0	0	848,400
	Total	**33,573,000**	**89,09,400**	**0**	**0**	**4,24,82,400**

(#) Paid by Dr. Reddy's Laboratories Limited, Holding Company.
(*) Resigned w e f February 14, 2017.
(**) Appointed w e f February 14, 2017

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

For and on behalf of the Board of Directors

Date: April 26, 2017
Place: Hyderabad

G V Prasad
Director

Satish Reddy
Director

S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

12th & 13th Floor
"UB City" Canberra Block
No.24, Vittal Mallya Road
Bengaluru-560 001, India

Tel : +91 80 6727 5000
Fax: +91 80 2210 6000

INDEPENDENT AUDITOR'S REPORT

To the Members of Aurigene Discovery Technologies Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Aurigene Discovery Technologies Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act., read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS 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 standalone Ind AS 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 of the standalone Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as 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 standalone Ind AS 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 standalone Ind AS 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 standalone Ind AS 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 standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone Ind AS 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 March 31, 2017, its profit including other comprehensive income, its cash flows and the changes in equity 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") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.

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

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

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 Companies (Indian Accounting Standards) Rules, 2015, as amended the Companies (Indian Accounting Standards) (Amendment) Rules, 2016;

(e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, 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 2" to this report;

(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 litigations on its financial position in its standalone Ind AS financial statements – Refer Note 23 to the standalone Ind AS 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.

S.R. Batliboi & Associates LLP Bengaluru

iv. The Company has provided requisite disclosures in Note 45 to these standalone Ind AS financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company and as produced to us by the management.

Other Matter

The comparative financial information of the company for the year ended March 31, 2016 and the transition date opening balance sheet as at April 01, 2015 prepared in accordance with Ind AS, included in these standalone Ind AS financial statements, have been audited by the predecessor auditor who had audited the standalone financial statements for the relevant periods. The report of the predecessor auditor on the comparative financial information and the opening balance sheet dated April 17, 2017 expressed an unmodified opinion.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Kaustav Ghose

per Kaustav Ghose
Partner
Membership Number: 057828
Place of Signature: Bengaluru
Date:

S.R. Batliboi & Associates LLP Bengaluru

Annexure 1 referred to in our report of even date
Re: Aurigene Discovery Technologies Limited ("the Company")

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment/ fixed assets are held in the name of the company.

(ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.

(iii) According to the information and explanations given 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. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, provisions of section 185 and 186 of the Companies Act 2013 in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the company.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the products/ services of the Company.

(vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues applicable to it. The provisions relating to employees' state insurance are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, , service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, duty of custom, duty of excise , value added tax and cess on account of any dispute, are as follows:

S.R. Batliboi & Associates LLP Bengaluru

Name of the statute	Nature of the dues	Amount(Rs)	Period to which the amount relates	Forum where the dispute is pending
Service Tax	Service Tax	5,794,534 (Amount Paid under protest Rs.434,590)	Financial year 2003-04	CESTAT, Bangalore
Income Tax Act, 1961	Income Tax	11,879,020 (Amount Paid under protest Rs. 1,782,000)	AY 2013-2014	Commissioner of Income Tax (Appeals)-1, Bangalore
Income Tax Act, 1961	Income Tax	43,907,840 (Amount Paid under protest Rs. 6,590,000)	AY 2014-2015	Commissioner of Income Tax (Appeals)-1, Bangalore

(viii) The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or to government or dues to debenture holders during the year.

(ix) According to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer / debt instruments) and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud / material fraud on the company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

S.R. Batliboi & Associates LLP Bengaluru

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, 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, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number:101049W/E300004

Kaustav Ghose

Per Kaustav Ghose
Partner
Membership Number: 057828
Place of Signature: Bengaluru
Date:

S.R. Batliboi & Associates LLP Bengaluru

S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

12th & 13th Floor
"UB City" Canberra Block
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Bengaluru-560 001, India

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ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF AURIGENE DISCOVERY TECHNOLOGIES LIMITED

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 March 31, 2017 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 the 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 as specified under section 143(10) of the Companies Act, 2013, to the extent 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 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

S.R. Batliboi & Associates LLP Bengaluru

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, 2017, 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 **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Kaustav Ghose

per **Kaustav Ghose**
Partner
Membership Number: 057828
Place of Signature: Bengaluru
Date:

S.R. Batliboi & Associates LLP
Bengaluru

Aurigene Discovery Technologies Limited
Balance sheet as at March 31, 2017
Amount in Rupees in lacs, unless stated otherwise

Particulars	Note	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Assets				
Non-current assets				
Property, plant and equipment	3	6,063	5,886	6,029
Capital work in progress	3	15	7	3
Financial assets				
Investments	4	49,425	18,418	25,899
Other financial assets	5	39	33	32
Other assets	6	20	21	19
		55,562	**24,365**	**31,982**
Current assets				
Inventories	7	64	66	54
Financial assets				
Trade receivables	8	1,830	1,936	1,558
Cash and cash equivalent	9	13,358	11,767	15,814
Other financial assets	5	579	450	135
Other assets	6	748	622	420
		16,579	**14,841**	**17,981**
Total assets		**72,141**	**39,206**	**49,963**
Equity and liabilities				
Equity				
Equity share capital	10	9,054	9,054	9,054
Other equity				
Share premium		288	288	288
General reserve		321	321	321
Capital redemption reserve		1,475	1,475	1,475
Capital reserve		18	18	18
Retained earnings		3,695	2,425	1,944
Other reserves		17,402	2,899	8,587
Total equity		**32,253**	**16,480**	**21,687**
Non-current liabilities				
Deferred tax liabilities (net)	34	4,338	321	2,376
Other liabilities	11	27,414	15,597	19,595
		31,752	**15,918**	**21,971**
Current liabilities				
Financial Liabilities				
Trade payables	12	656	641	491
Other payables	13	434	328	130
Liabilities for current tax (net)	34	1,309	2,053	1,553
Other liabilities	11	5,737	3,786	4,131
		8,136	**6,808**	**6,305**
Total liabilities		**39,888**	**22,726**	**28,276**
Total equity and liabilities		**72,141**	**39,206**	**49,963**

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm registration number: 101049W/E300004

Kaustav Ghose

Kaustav Ghose
Partner
Membership no.: 57828

Place: Bengaluru
Date : April 26, 2017

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

G.V. Prasad
Director

Place: Hyderabad
Date : April 26, 2017

Satish Reddy
Director

Place: Hyderabad
Date : April 26, 2017

Ashish Lath
Chief Financial Officer

Place: Bengaluru
Date : April 26, 2017

Sudipta V
Company Secretary

Place: Hyderabad
Date : April 26, 2017

Aurigene Discovery Technologies Limited
Statement of profit and loss for the year ended March 31, 2017
Amount in Rupees in lacs, unless stated otherwise

Particulars	Note		For the year ended March 31, 2017		For the year ended March 31, 2016
Revenue from operations	14		18,534		17,824
Other income	15		126		125
Finance income	16		953		1,061
Total income			**19,613**		**19,010**
Expenses					
Employee benefits expense	17		6,046		6,094
Depreciation and amortization expense	3		952		1,019
Other expenses	18		8,262		8,065
Finance costs	19		(133)		98
Total expense			**15,127**		**15,276**
Profit before tax			**4,486**		**3,734**
(1) Current tax	34		1,534		1,568
(2) Adjustment of tax relating to earlier periods	34		(599)		121
(3) Deferred tax	34		101		(343)
Income tax expense			**1,036**		**1,346**
Profit for the year			**3,450**		**2,388**
Other comprehensive income					
Items that are not to be reclassified to profit or loss in subsequent periods:					
Re-measurement gains/ (losses) on defined benefit plans	27		(119)		30
Income tax effect			31		(11)
			(88)		19
Net gain/ (loss) on fair values through other comprehensive income for equity shares			18,538		(7,418)
Income Tax effect			(3,947)		1,711
			14,591		(5,707)
Other comprehensive income for the year, net of tax			14,503		(5,688)
Total comprehensive income for the year, net of tax			**17,953**		**(3,300)**
Earnings per share	32				
➤ Basic, computed on the basis of profit from operations attributable to equity shareholders		₹	3.81	₹	2.64
➤ Diluted, computed on the basis of profit from operations attributable to equity shareholders		₹	3.81	₹	2.64

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm registration number: 101049W/E300004

Kaustav Ghose

Kaustav Ghose
Partner
Membership no.: 57828

Place: Bengaluru
Date : April 26, 2017

For and on behalf of the Board of Directors of
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Director

Place: Hyderabad
Date : April 26, 2017

Ashish Lath
Chief Financial Officer

Place: Bengaluru
Date : April 26, 2017

Sudipta

Sudipta V
Company Secretary

Place: Hyderabad
Date : April 26, 2017

Aurigene Discovery Technologies Limited
Cash flow statement for the year ended March 31, 2017
Amount in Rupees in lacs, unless stated otherwise

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Cash flows from operating activities		
Profit before tax	4,486	3,734
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	952	1,019
Unrealised foreign currency gain/ (loss)	18	16
Gain on disposal of property, plant and equipment	(2)	(1)
Loss on diminution in value of investments	-	63
Provision for inventory	(14)	4
Finance income (including fair value change)	(953)	(1,061)
Finance costs (including fair value change)	(133)	98
Operating cash flow before working capital changes	**4,354**	**3,872**
Working capital adjustments:		
Inventories	15	(16)
Trade receivables and unbilled revenue	79	(399)
Loans, other financial assets and other assets	(127)	(205)
Trade payables	19	152
Other liabilities *	1,181	(4,318)
	5,521	**(914)**
Income tax paid	(1,546)	(1,298)
Net cash flows generated by/ (used in) operating activities (A)	**3,975**	**(2,212)**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	3	2
Purchase of property, plant and equipment	(1,032)	(683)
Interest received (finance income)	824	754
Investment in fixed deposits having original maturity of more than 3 but less than 12 months	(2,298)	4,040
Net cash flows generated by/ (used in) investing activities (B)	**(2,503)**	**4,113**
Cash flows from financing activities		
Dividends paid	(1,811)	(1,585)
Dividend distribution tax	(369)	(322)
Net cash flows used in financing activities (C)	**(2,180)**	**(1,907)**
Net decrease in cash and cash equivalents (A+B+C)	**(708)**	**(6)**
Net foreign exchange difference	1	(1)
Cash and cash equivalents at the beginning of the year	1,452	1,459
Cash and cash equivalents at year end	**745**	**1,452**

* During year ended 31 March 2017, the company has received 10,208,333 common stock of USD 0.01 each, fully paid up, of Curis Inc., USA against future revenue milestones. The investment in shares is initially recognised on the basis of fair value of the shares on the transaction date, aggregating to Rs. 12,468 lacs with corresponding credit in deferred revenue. Therefore, the investment is not presented as cashflow from investment activity but as adjustment to operating activities.

Summary of significant accounting policies 2.1
The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm registration number: 101049W/E300004

Kaustav Ghose
Partner
Membership no.: 57828

Place: Bengaluru
Date : April 26, 2017

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

G.V. Prasad
Director

Place: Hyderabad
Date : April 26, 2017

Satish Reddy
Director

Place: Hyderabad
Date : April 26, 2017

Ashish Lath
Chief Financial Officer

Place: Bengaluru
Date : April 26, 2017

Sudipta V
Company Secretary

Place: Hyderabad
Date : April 26, 2017

Aurigene Discovery Technologies Limited
Statement of changes in equity for the year ended March 31, 2017
Amount in Rupees in lacs, unless stated otherwise

a) Equity share capital

	No. of	Amount
Equity shares of Rs 10 each issued, subscribed and fully paid		
As at April 1, 2015	90,544,104	9,054
As at March 31, 2016	90,544,104	9,054
As at March 31, 2017	90,544,104	9,054

b) Other Equity

For the year ended March 31, 2017

Particulars	Reserves and Surplus					Items of OCI		Total equity attributable to equity holders of the Company
	Share premium	General Reserve	Capital redemption reserve	Capital reserve	Retained earnings	Equity instruments through other comprehensive income	Other items of other comprehensive income	
As at 1 April 2016	288	321	1,475	18	2,425	2,880	19	7,426
Profit for the period	-	-	-	-	3,450			3,450
Remeasurement of net defined benefit liability, net of tax effect	-	-	-	-	-	-	(88)	(88)
Equity instruments through other comprehensive income, net of tax effect	-	-	-	-	-	14,591	-	14,591
Total comprehensive income	-	-	-	-	3,450	14,591	(88)	17,953
Cash dividends (Note 22)	-	-	-	-	(1,811)	-	-	(1,811)
Dividend distribution tax (Note 22)	-	-	-	-	(369)	-	-	(369)
At March 31, 2017	288	321	1,475	18	3,695	17,471	(69)	23,199

For the year ended 31 March 2016

Particulars	Reserves and Surplus					Items of OCI		Total equity attributable to equity holders of the Company
	Share premium	General Reserve	Capital redemption reserve	Capital reserve	Retained earnings	Equity instruments through other comprehensive income	Other items of other comprehensive income	
As at April 1, 2015	288	321	1,475	18	1,944	8,587	-	12,633
Profit for the period	-	-	-	-	2,388	-	-	2,388
Remeasurement of net defined benefit liability, net of tax effect	-	-	-	-	-	-	19	19
Equity instruments through other comprehensive income, net of tax effect	-	-	-	-	-	(5,707)	-	(5,707)
Total comprehensive income	-	-	-	-	2,388	(5,707)	19	(3,300)
Cash dividends (Note 22)	-	-	-	-	(1,585)	-	-	(1,585)
Dividend distribution tax (Note 22)	-	-	-	-	(322)	-	-	(322)
As at March 31, 2016	288	321	1,475	18	2,425	2,880	19	7,426

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm registration number: 101049W/E300004

Kaustav Ghose

Kaustav Ghose
Partner
Membership no.: 57828

Place: Bengaluru
Date : April 26, 2017

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

G.V. Prasad
Director

Place: Hyderabad
Date : April 26, 2017

Satish Reddy
Director

Place: Hyderabad
Date : April 26, 2017

Ashish Lath
Chief Financial Officer

Place: Bengaluru
Date : April 26, 2017

Sudipta V
Company Secretary

Place: Hyderabad
Date : April 26, 2017

1. Corporate information

Aurigene Discovery Technologies Limited ('Aurigene' or 'the Company') was incorporated as a Private Limited Company on August 10, 2001. Subsequently, on November 13, 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, long term collaboration with customers for drug discovery and licensing of intellectual property rights. The Company commenced its commercial operations from April 1, 2003.

The financial statements are approved for issue by the Company's Board of Directors on April 26, 2017.

2. Significant accounting policies

2.1. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values and the provisions of the Companies Act, 2013 ('Act') (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The Company has adopted all the Ind AS standards and the adoption was carried out in accordance with Ind AS 101 First time adoption of Indian Accounting Standards. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP. Reconciliations and descriptions of the effect of the transition has been summarized in note 44.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The financial statements are presented in Indian rupees, which is the functional currency of the Company, and all values are rounded to the nearest lacs (INR 00,000), except when otherwise indicated.

Functional currency of an entity is the currency of the primary economic environment in which the entity operates.

Refer Note 44 for information on how the Company adopted Ind AS.

Aurigene Discovery Technologies Limited
CIN: U24239KA2001PTC029391
Bangalore

2.2. Use of estimate

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in note 42. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements

2.3. 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.

2.4. Foreign currencies

Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated into the functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in net profit in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the transaction.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

2.5. Revenue

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 in which the Company has continuing performance obligations.

Milestone payments under research and collaboration agreements are recognized as revenue either on achievement of such milestones, if the milestones are considered substantive, or over the period the Company has continuing performance obligations, if the milestones are not considered substantive.

Upfront non-refundable licensing fees received under licensing arrangements are deferred and recognized over the period in which the Company has continuing performance obligations.

2.6. Interest income

Interest income is recognised using the effective interest method. Effective interest is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit and loss.

2.7. Rental income

Rental income from operating leases are recognized in the statement of profit and loss on a straight-line basis over the term of the lease.

2.8. 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 in the balance sheet by setting up the grant as deferred income. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

2.9. Income tax

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. Deferred income taxes are not provided on the undistributed earnings of subsidiaries and branches where it is expected that the earnings of the subsidiary or branch will not be distributed in the foreseeable future. The company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.10. Research and development

Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are 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 expenditures are capitalized only if:

- development costs can be measured reliably;
- the product or process is technically and commercially feasible;
- future economic benefits are probable; and
- the Company intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in the statement of profit and loss as incurred.

2.11. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in the statement of profit and loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognized in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Land is not depreciated.
Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

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

Cost of property, plant and equipment not ready to use as of the reporting date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

2.12. Inventories

Inventories primarily consist of laboratory consumables and is measured at cost. Cost is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

The factors that the Company considers in determining the allowance for slow moving and obsolete inventory include estimated shelf life and ageing of inventory. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

2.13. Leases

Company as lessee

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

Finance leases

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 statements of financial position. 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.

Operating lease incentives received from the landlord are recognized as a reduction of rental expense on a straight-line basis over the lease term.

Company as lessor

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

Finance leases

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Operating leases

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

2.14. Earnings per share

Basic earnings per share is computed by dividing the profit/(loss) attributable to ordinary equity holders of the Company by weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.15. Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

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

Defined benefit plans

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method consistent with the advice of qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates based on the prevailing market yields on Indian Government securities. The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognized immediately in the statement of profit and loss. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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.

Other long-term employee benefits

The Company's net obligation in respect of other long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and previous periods. That benefit is discounted to determine its present value. Re-measurements are recognized in the statement of profit and loss in the period in which they arise.

Compensated absences

The Company provides for encashment of compensated absences payable to employees at the end of each financial year. The 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.

2.16. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that is reasonably estimable, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognized only when receipt of such reimbursements is virtually certain. Such reimbursements are recognized as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

2.17. Cash and cash equivalent

Cash and cash equivalents comprise cash at banks and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.18. 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.

Deposits with original maturity of greater than 3 months from the date of creation of the deposits are not considered as cash equivalents for the purpose of cash flow statement.

2.19. Dividends

Final dividends on shares are recorded as a liability on the date of approval by the shareholders.

2.20. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets:

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

i) Financial assets at fair value through other comprehensive income

The Company has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model.

ii) Investments in subsidiaries

Investments in subsidiaries are carried at cost less provision for diminution in value of investments in the financial statements.

b) Financial liabilities:

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities primarily include trade and other payables.

Subsequent measurement

Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

ii) Trade and other payables

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate the fair value due to the short maturity of these instruments.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized from the Company's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

Impairment of financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognized as an impairment gain or loss in profit or loss.

2.21. Fair value measurement

The Company measures financial instruments, such as, investments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

2.22. First time adoption of Ind AS

These financial statements of Aurigene Discovery Technologies Limited for the year ended March 31, 2017 have been prepared in accordance with Ind AS. For the purposes of transition to Ind AS, the Company has followed the guidance prescribed in Ind AS 101 - First Time adoption of Indian Accounting Standard, with April 1, 2015 as the transition date and IGAAP as the previous GAAP.

The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended March 31, 2017. An explanation of how the transition from previous GAAP to Ind AS has affected the Company's Balance Sheet, Statement of Profit and Loss, is set out in note 2.23.

2.23. Exemptions availed on first time adoption of Ind AS 101

Ind-AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has accordingly applied the following exemptions.

a) Designation of previously recognized financial instruments

Under Ind AS 109, at initial recognition of a financial asset, an entity may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument in other comprehensive income. Ind AS 101 allows such designation of previously recognized financial assets, as ' fair value through other comprehensive income' on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

Accordingly, the Company has designated its investments in certain equity instruments at fair value through other comprehensive income on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

b) Standalone financial statements.

The Company has used the exemption available to companies under IndAS from preparing consolidated financial statements if certain criteria are met. Accordingly, the investments in subsidiaries is recorded at cost less any provision for impairment in the value of the investments.
Refer note 37 for information on holding company whose consolidated financial statements comply with IndAS, address where those consolidated financial statements can be obtained and details of subsidiaries.

c) Property, plant and equipment

The Company has used the carrying amount of all of the Property, plant and equipment as at the transition date as per the previous GAAP (Indian GAAP) as deemed cost of the Property, plant and equipment.

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended March 31, 2017
Amount in Rupees in lacs, unless stated otherwise

3) Property, plant and equipment

	Freehold land	Buildings	Laboratory equipment	Electrical equipment	Plant and machinery - others	Computers and software	Furniture and Fixture	Vehicles	Office Equipment	Total (A)	Capital work in progress (B)	Total (A+B)
Gross block												
As at April 1, 2015	530	3,470	7,872	1,625	221	805	722	85	263	15,593	3	15,596
Additions	-	-	759	30	-	51	31		6	877	5	882
Disposals	-	-	(17)	-	-	-	(2)	-	-	(19)	-	(19)
Transfers	-	-	-	-	-	-	-	-	-	-	(1)	(1)
As at March 31, 2016	530	3,470	8,614	1,655	221	856	751	85	269	16,451	7	16,458
Additions	-	-	808	201	-	58	33	27	4	1,131	15	1,146
Disposals	-	-	-	(20)	(13)	0	-	-	-	(33)	-	(33)
Transfers	-	-	-	-	-	-	-	-	-	-	(7)	(7)
As at March 31, 2017	530	3,470	9,422	1,836	208	914	784	112	273	17,549	15	17,564
Accumulated Depreciation												
As at April 1, 2015	-	1,011	5,574	1,270	163	679	609	55	203	9,564	-	9,564
Depreciation charge for the year	-	115	650	92	24	75	34	9	20	1,019	-	1,019
Disposals	-	-	(16)	-	-	-	(2)	-	-	(18)	-	(18)
As at March 31, 2016	-	1,126	6,208	1,362	187	754	641	64	223	10,565	-	10,565
Depreciation charge for the year	-	115	621	82	15	66	27	8	18	952	-	952
Disposals	-	-	-	(20)	(12)	-	-	-	-	(32)	-	(32)
As at March 31, 2017	-	1,241	6,829	1,424	190	820	668	72	241	11,485	-	11,485
Net block												
As at April 1, 2015	530	2,459	2,298	355	58	126	113	30	60	6,029	3	6,032
As at March 31, 2016	530	2,344	2,406	293	34	102	110	21	46	5,886	7	5,893
As at March 31, 2017	530	2,229	2,593	412	18	94	116	40	32	6,063	15	6,078

Amount in Rupees in lacs, unless stated otherwise

4) Investments

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Non-current investments			
Investment in equity instruments of subsidiaries	2,621	2,621	2,621
Less Provision for diminution in value of investment in subsidiaries	(2,465)	(2,465)	(2,402)
Investment in quoted shares	49,269	18,262	25,680
	49,425	**18,418**	**25,899**
Unquoted			
Investment carried at cost			
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, representing 100% ownership interest and voting rights in the subsidiary	2,465	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, Malaysia, subsidiary company, representing 100% ownership interest and voting rights in the subsidiary	156	156	156
Total cost of investment in subsidiaries	**2,621**	**2,621**	**2,621**
Less Provision for diminution in value of investments	(2,465)	(2,465)	(2,402)
Net value of investment in subsidiaries	**156**	**156**	**219**
Quoted			
Investment carried at fair value through other comprehensive income			
27,328,464 (31 March 2016 17,120,131 and 1 April 2015 17,120,131) common stock of USD 0 01 each, fully paid up, of Curis Inc., USA (Refer Note 35)	49,269	18,262	25,680
Total	**49,269**	**18,262**	**25,680**
Aggregate book value of quoted investments	49,269	18,262	25,680
Aggregate market value of quoted investments	49,269	18,262	25,680
Aggregate amount of impairment in value of investments	-	-	-
Investment carried at cost	156	156	219
Aggregate amount of impairment in value of unquoted investments	(2,465)	(2,465)	(2,402)

5) Other financial assets

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Non current			
(Unsecured, considered good)			
Security deposits	39	33	32
	39	**33**	**32**
Current			
(Unsecured, considered good)			
Security deposits	-	4	4
Unbilled revenue	69	65	57
Interest accrued but not due	508	378	71
Loans and advances to employees	2	3	3
	579	**450**	**135**
Total other financial assets	**618**	**483**	**167**

6) Other assets

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Non current			
(Unsecured, considered good)			
Prepaid expenses	-	-	2
Other receivables	20	21	17
	20	**21**	**19**
Current			
(Unsecured, considered good)			
Advance to suppliers	103	55	77
Prepaid expenses	195	168	144
VAT input credit	83	161	73
Service tax input credit net	346	185	123
Other receivables	21	53	3
	748	**622**	**420**
Total other assets	**768**	**643**	**439**

Amount in Rupees in lacs, unless stated otherwise

7) Inventories

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Consumables	68	84	68
Less: Provisions for inventories carried at net realisable value	(4)	(18)	(14)
Total inventories at the lower of cost and net realisable value	**64**	**66**	**54**

8) Trade receivables

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
(Unsecured, considered good)			
Receivables from other than related parties	1,684	1,551	1,240
Less: Allowance for credit losses	-	-	-
	1,684	**1,551**	**1,240**
Receivables from related parties (Note 36)	146	385	318
Less: Allowance for credit losses	-	-	-
	146	**385**	**318**
Total trade receivables	**1,830**	**1,936**	**1,558**
Break-up for more than 6 months overdue:			
Outstanding for more than six months from due date:			
Unsecured, considered good	3	-	-
Less: Allowance for credit losses	-	-	-
	3	**-**	**-**
Outstanding for less than six months from due date:			
Unsecured, considered good	1,827	1,936	1,558
Less: Allowance for credit losses	-	-	-
	1,827	**1,936**	**1,558**

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.
For terms and conditions relating to related party receivables, refer Note 36.
Trade receivables are non-interest bearing and are generally on credit terms of 30 to 90 days.

9) Cash and cash equivalent

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Balances with banks:			
– In current accounts	120	331	378
– Deposits with original maturity of less than three months	625	1,120	1,080
Cash in hand	0	1	1
	745	**1,452**	**1,459**
Other bank balances (due to mature within 12 month of the reporting date)	12,613	10,315	14,355
	13,358	**11,767**	**15,814**

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements, and earn interest at the respective short-term deposit rates.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

Balances with banks:			
– In current accounts	120	331	378
– Deposits with original maturity of less than three months	625	1,120	1,080
Cash on hand	0	1	1
	745	**1,452**	**1,459**

Amount in Rupees in lacs, unless stated otherwise

10) Share capital

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Authorized shares			
95,000,000 (Previous year 95,000,000) equity shares of Rs 10 each	9,500	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	4,500
	14,000	**14,000**	**14,000**
Issued, subscribed and fully paid-up shares			
90,544,104 (March 31, 2016 90,544,104, April 1, 2015 90,544,104) equity shares of Rs. 10 each, fully paid up	9,054	9,054	9,054
	9,054	**9,054**	**9,054**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

	March 31, 2017		March 31, 2016	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
At the beginning of the year	90,544,104	9,054	90,544,104	9,054
Add Issued during the year	-	-	-	-
Outstanding at the end of the year	**90,544,104**	**9,054**	**90,544,104**	**9,054**

(b) Terms and rights 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) Shares held by holding/ultimate holding company and/ or their subsidiaries/ associates

Out of equity shares issued by the company, shares held by its holding company, ultimate holding company and their subsidiaries/ associates are as below

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Dr Reddy's Laboratories Limited (Holding company) *			
90,544,089 (March 31, 2016: 90,544,089, March 31, 2015 90,544,089), fully paid up equity shares of Rs. 10/- each	9,054	9,054	9,054

* Apart from the above 90,544,089 (March 31, 2016 90,544,089, March 31, 2015: 90,544,089), fully paid up equity shares of Rs 10/- each held by Dr Reddy's Laboratories Limited (DRL), 15 (March 31, 2016 15, March 31, 2015 15), fully paid up equity shares of Rs 10/- each are held by the nominees of DRL

(d) Details of shareholders holding more than 5% shares in the Company

Name of shareholder	March 31, 2017		March 31, 2016		April 1, 2015	
	No. of shares	% holding	No. of shares	% holding	No. of shares	% holding
Equity shares						
Dr Reddy's Laboratories Limited (Holding company)	90,544,089	99 99%	90,544,089	99 99%	90,544,089	99 99%

(e) During the five year period ended on March 31, 2017, no shares were issued for consideration other than cash

(f) During the five-year period ended on March 31, 2017, no shares have been bought back.

Amount in Rupees in lacs, unless stated otherwise

11) Other liabilities

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Non current			
Employee benefit liabilities			
Net employee defined benefit liabilities	203	54	79
Compensated absences	-	49	-
Long term incentives (Refer note 28)	-	575	254
Deferred Revenue	27,211	14,919	19,262
	27,414	**15,597**	**19,595**
Current			
Employee benefit liabilities			
Compensated absences	201	11	19
Long term incentives (Refer note 28)	1,000	540	464
Accrued compensation	501	405	406
Withholding taxes and other dues payable	119	92	83
Deferred revenue	3,916	2,738	3,159
	5,737	**3,786**	**4,131**
Total other liabilities	**33,151**	**19,383**	**23,726**

12) Trade payables

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Due to related parties (Refer Note 36)	206	151	177
Due to other than related parties	450	490	314
	656	**641**	**491**

13) Other payables

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Creditors for capital goods	434	328	130
	434	**328**	**130**

Amount in Rupees in lacs, unless stated otherwise

14) Revenue from operations

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Rendering of services	18,360	17,802
Other operating revenues	174	22
	18,534	**17,824**

15) Other income

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Rental income	124	124
Net gain on disposal of property, plant and equipment	2	1
	126	**125**

16) Finance income

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest income on fixed deposits	953	1,040
Interest income on income tax refunds	0	21
	953	**1,061**

17) Employee benefits expense

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Salaries, wages and bonus	5,473	5,579
Contribution to provident and other funds		
- Provident fund	238	226
- Superannuation scheme	1	1
Gratuity expense	85	91
Staff welfare expenses	249	197
	6,046	**6,094**

18) Other expenses

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Laboratory consumables	4,960	4,776
Power and fuel	511	495
Rent	151	150
Repairs and maintenance		
Buildings	102	76
Plant and machinery	562	486
Others	417	355
Travelling and conveyance	323	337
Legal and professional fees (Refer note 20 for details on payment to auditors)	200	277
Business development expenses	163	149
Impairment loss recognized on financial assets	0	63
Communication costs	33	38
Membership and subscription	128	19
Rates and taxes	30	17
Insurance	11	35
Bank Charges	7	6
Freight and forwarding charges	79	92
Science software expense	124	149
Recruitment	8	17
Security	67	55
Environmental and safety expenses	63	43
Printing and stationery	18	17
Exchange differences (net)	237	346
CSR expenditure (Refer note 21 for details)	37	36
Independent Directors remuneration	30	30
Miscellaneous expenses	1	1
	8,262	**8,065**

Amount in Rupees in lacs, unless stated otherwise

19) Finance costs

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest on income tax	(133)	98
	(133)	**98**

20) Payment to Auditors

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
(Included in legal and professional fees under other expenses)		
Statutory audit fee	11	11
Reimbursement of expenses	1	1
Certification	1	-
	13	**12**

21) Details of CSR expenditure:

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.

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Gross amount required to be spent by the Company during the year	41	54
Amount spent during the year		
- Construction/acquisition of any asset	-	-
- Donations to prescribed trusts/ organisation engaged in CSR activities	37	36
	37	**36**

22) Dividend distribution made and proposed during the year

Particulars	**For the year ended March 31, 2017**	**For the year ended March 31, 2016**
Cash dividends on equity shares paid during the year:		
Final dividend for the year ended on March 31, 2017: Rs. 2 per share (March 31, 2016: Rs. 1.75 per share)	1,811	1,585
Dividend distribution tax on final dividend	369	322
	2,180	**1,907**
Dividends on Equity shares proposed during the year: *		
Final dividend for the year ended on March 31, 2017: Rs. 0 per share (March 31, 2016: Rs. 2 per share)	-	1,811
Dividend distribution tax on proposed dividend	-	369
	-	**2,180**

* Proposed dividends on equity shares are subject to approval at the annual general meeting and are not recognised as liability (including Dividend distribution tax thereon) as on 31 March. Dividends would attract dividend distribution tax when declared or paid.

23) Contingent liabilities

(a) 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 March 31, 2017 the Company has a positive Net Foreign Exchange Earning, as defined in the Foreign Trade Policy 2009-2014 and 2015-2020 wherever applicable.

(b) The Company has received an order from the Commissioner of Service Tax, Bengaluru demanding Service Tax of Rs 57.94 lakhs on difference between income declared in Income tax return for 2003-04 vs Service tax return for the same period. As per the order of the Commissioner of Service Tax, Company is also liable to pay penalty of Rs. 57.94 lakhs plus interest thereon on the tax and penalty amount. 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.

(c) The Company has received an order from the Deputy Commissioner of Income Tax, Bangalore demanding income tax of Rs 118 lakhs on income pertaining to the assessment year 2013-14 due to non-deduction of withholding taxes on certain foreign payments. The Company has filed an appeal against the Order with the Commissioner of Income Tax (Appeals) after paying a tax of Rs 17.82 lakhs under protest.

(d) The Company has received an order from the Office of the Income Tax Officer, Ward 1(1)(2), Bangalore demanding income tax of Rs 439 lakhs on income pertaining to the assessment year 2014-15 due to non-deduction of withholding taxes on certain foreign payments. The Company has filed an appeal against the Order with the Commissioner of Income Tax (Appeals) after paying a tax of Rs 65.90 lakhs under protest.

24) Capital commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for is Rs. 19 lacs (March 31, 2016: Rs. 12 lacs; April 1, 2015: Rs.41 lacs).

25) Operating lease

The Company has leased office and guest house facilities under cancellable lease agreements for periods ranging from 1 year to 5 years. These leases can be renewed on mutual agreement between the lessor and lessee at the end of the lease term. The total rental expenses debited to the statement of profit and loss is Rs. 151 (March 31, 2016: Rs. 150 lacs)

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 124 lakhs). The carrying amount of the building given on operating lease and depreciation thereon for the period are:

Particulars	**March 31, 2017**	**March 31, 2016**
Gross carrying amount as on	735	735
Accumulative depreciation as on	(83)	(59)
Net carrying amount	**652**	**676**
Depreciation for the year ended	24	24

Amount in Rupees in lacs, unless stated otherwise

26) Segment information

The main business activity of the Company is to undertake research relating to drug discovery for its customers, long term collaboration with customers for drug discovery and licensing of intellectual property rights. The Board of Directors reviews the results when making decisions about allocating resources and assessing performance of the Company as a whole based on the nature of the expenses, hence the Company has only one reportable segment.

a) Revenue from external customers based on services

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Research services	12,981	12,593
Licensing	5,379	5,209
	18,360	**17,802**

b) Total of revenue amounting to 10 percent or more of total revenue from single customer

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Research services	7,153	7,723
Licensing	5,379	5,209
	12,532	**12,932**

c) Revenue from external customers based on geography

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Revenue from customers in India	821	1,876
	821	1,876
Revenue from customers outside India:		
United States of America	11,207	9,237
France	-	2,456
Finland	4,013	1,922
Germany	1,336	1,492
Others	983	819
	17,539	15,926
	18,360	**17,802**

The revenue information above is based on the locations of the customers.

Amount in Rupees in lacs, unless stated otherwise

27) Net Employee defined benefit liabilities

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of completed service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at the time of separation.

The Company has a defined benefit gratuity plan for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure at 15 days of last drawn salary for each completed year of service. The scheme is funded with Life Insurance Corporation of India in the form of qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity plan.

a) Details of the employee benefits obligations and plan assets:

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Present value of defined benefits obligation	(756)	(567)	(546)
Fair value of plan asset	553	513	467
Net liability	**(203)**	**(54)**	**(79)**

b) Details of gratuity cost charged to statement of profit and loss:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Current service cost	83	88
Net interest on net defined benefit liability/ (asset)	2	3
	85	**91**

c) Details of remeasurement (gains)/ losses in other comprehensive income:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Due to changes in financial assumptions	61	(10)
Due to changes in demographic assumptions	34	-
Due to experience adjustments	29	(21)
Due to actual return on plan assets less interest on plan assets	(5)	1
Net remeasurement of net defined benefit liability/ (asset)	**119**	**(30)**

d) Change in the present value of the defined benefit obligation:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Defined benefit obligation as at the beginning of the year	567	546
Current service cost	83	88
Interest on defined benefit obligation	41	39
Remeasurement gains/ (losses) in other comprehensive income		
Due to changes in financial assumptions	61	(10)
Due to changes in demographic assumptions	34	-
Due to experience adjustments	29	(21)
Benefits paid	(59)	(75)
Defined benefit obligation as at the end of the year	**756**	**567**

e) Change in the fair value of the plan assets:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Fair value of plan assets as at the beginning of the year	513	467
Employer Contribution	55	85
Interest on plan assets	39	37
Remeasurement gains/ (losses) in other comprehensive income		
Due to actual returns on plan assets less interest on plan assets	5	(1)
Benefits paid	(59)	(75)
Fair value of plan assets as at the end of the year	**553**	**513**

Amount in Rupees in lacs, unless stated otherwise

f) The principal assumptions used in determining gratuity obligations:

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Discount rate	6.85%	7.85%	8%
Expected rate of return on assets **	6.85%	7.85%	8%
Salary escalation rate	10.00%	10.00%	10%
Mortality rate	Indian Assured Lives Mortality (2006-08) (modified) Ult Table*		
Withdrawal rate:			
Up to age 21	0%	0%	0%
Between age 22 to 30	28%	27%	29%
Between age 31 to 40	20%	20%	9%
Between age 41 to 50	2%	18%	19%
Between age 51 to 57	20%	16%	33%

* As published by IRDA and adopted as Standard Mortality Table as recommended by Institute of Actuaries of India effective April 1, 2013.

** The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

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 in the employment market.

g) Quantitative sensitivity analysis for significant assumption:

Particulars	As at March 31, 2017	As at March 31, 2016
Defined benefit obligation without effect of projected salary growth	371	366
Add: Effect of salary growth	385	201
Defined benefit obligation with projected salary growth	756	567
Defined benefit obligation, using discount rate minus 50 basis points	790	582
Defined benefit obligation, using salary growth rate plus 50 basis points	788	581

h) Expected future cash flows in respect of gratuity in future years:

Particulars	As at March 31, 2017	As at March 31, 2016
Within the next 12 months (next annual reporting period)	81	104
Between 2 and 5 years	254	273
Between 6 and 9 years	193	268
Beyond 9 years	997	269

28) Long term incentives

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

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Non-current portion	-	575	254
Current portion	1,000	540	464
Total	**1,000**	**1,115**	**718**

29) Provident fund

The Company contributes at specified rate to Employees Provident Fund Organisation towards provident fund contribution. Monthly contribution made by the Company are recognised as expense in the Statement of profit and loss. The Company has no further obligations under the plan beyond its monthly contributions. Details of contribution made by the company to the provident fund are as follows:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Contribution made during the year	238	226

Amount in Rupees in lacs, unless stated otherwise

30) Superannuation benefits

Certain categories of employees of the Company participate in superannuation, a defined contribution plan administered by the Life Insurance Corporation of India. The Company makes annual contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its annual contributions. Contribution made are recognised as expenses. Details of contribution made by the company towards the plan are as follows:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Contribution made during the year	1	1

31) Compensated absences

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 utilise it in future periods or receive cash in lieu thereof as per the Company's policy. The Company records a liability for compensated absences in the period in which the employee renders the services that increases this entitlement. Details of total liability recorded by the Company towards this obligation is as follows:

Particulars	As at March 31, 2017	As at March 31, 2016
Provision for compensated absences - non-current	-	49
Provision for compensated absences - current	201	11
	201	**60**

32) Earnings per share (EPS)

The following reflects the loss and details of share data used in computation of basic and diluted EPS:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Net profit after tax as per statement of profit and loss	3,450	2,388
Weighted average number of equity shares used in calculating basic and diluted	90,544,104	90,544,104
Basic/ diluted earnings per share (amount in Rs)	**3.81**	**2.64**

33) Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

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').

34) Income taxes

a) Income tax expense/ (benefit) for the year

Income tax expense/ (benefit) recognized in the income statement consists of the following:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Current tax	1,534	1,568
Adjustment of tax relating to earlier periods	(599)	121
	935	1,689
(3) Deferred tax	101	(343)
Income tax expense	**1,036**	**1,346**

b) Income tax expense/ (benefit) recognized directly in equity

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Tax effect on actuarial gains on defined benefit obligations	(31)	(11)
Tax effect on changes in fair value of other investments	3,947	1,711
	3,916	**1,700**

Amount in Rupees in lacs, unless stated otherwise

c) Reconciliation of effective tax rate

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Profit before income taxes	4,486	3,734
Enacted tax rate in India	34.61%	34.61%
Computed expected tax expense	1,553	1,292
Effect of:		
Expenses not deductible for tax purposes	(22)	62
Adjustment of tax relating to earlier periods	(599)	121
Utilisation of previously disallowed expenses	143	(129)
Other adjustments	(39)	-
Income tax expenses	**1,036**	**1,346**

d) Details of deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Deferred tax assets			
Fixed assets	168	138	114
Long term incentives	199	199	86
Compensated absences	58	21	-
Accrued compensation	17	-	-
Net employee defined benefit liabilities	31	-	-
Differential income effect due to ICDS	-	185	-
	473	543	200
Deferred tax liabilities			
Changes in fair valuation of investments	(4,811)	(864)	(2,576)
	(4,811)	(864)	(2,576)
Net deferred tax asset/ (liability)	**(4,338)**	**(321)**	**(2,376)**

In assessing whether the deferred income tax assets will be realized, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences and tax loss carry forwards. Recoverability of deferred tax assets is based on estimates of future taxable income. Any changes in such future taxable income would impact the recoverability of deferred tax assets.

e) Movement in deferred tax assets and liabilities

For the year ended March 31, 2017

Particulars	As at March 31, 2016	Recognized in profit and loss	Recognised in equity	As at March 31, 2017
Deferred tax assets				
Fixed assets	138	30	-	168
Long term incentives	199	-	-	199
Compensated absences	21	37	-	58
Accrued compensation	-	17	-	17
Net employee defined benefit liabilities	-	-	31	31
Differential income effect due to ICDS	185	(185)	-	-
	543	**(101)**	**31**	**473**
Deferred tax liabilities				
Changes in fair valuation of investments	(864)	-	(3,947)	(4,811)
	(864)	**-**	**(3,947)**	**(4,811)**
Net deferred tax asset/ (liability)	**(321)**	**(101)**	**(3,916)**	**(4,338)**

For the year ended March 31, 2016

Particulars	As at April 1, 2015	Recognized in profit and loss	Recognised in equity	As at March 31, 2016
Deferred tax assets				-
Fixed assets	114	24	-	138
Accrued compensation	86	113	-	199
Compensated absences	-	21	-	21
Differential income effect due to ICDS	-	185	-	185
	200	**343**	**-**	**543**
Deferred tax liabilities				-
Changes in fair valuation of investments	(2,576)	-	1,712	(864)
	(2,576)	**-**	**1,712**	**(864)**
				-
Net deferred tax asset/ (liability)	**(2,376)**	**343**	**1,712**	**(321)**

35) Collaboration agreement with Curis, Inc.

On January 18, 2015, Aurigene Discovery Technologies Limited ("Aurigene") 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 partial consideration for the collaboration, pursuant to a Stock Purchase Agreement dated January 18, 2015, Curis issued to Aurigene 171.20 lacs shares of its common stock, representing 19.9% of its outstanding common stock immediately prior to the transaction (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 January 18, 2017, with the shares being released from such lock-up in 25% increments on each of July 18, 2015, January 18, 2016, July 18, 2016 and January 18, 2017, subject to acceleration of release of all the shares in connection with a change of control of Curis. As of March 31, 2017, lock-up restrictions were released on all of the 171.20 lacs shares of Curis common stock. In connection with the issuance of such shares, Curis and Aurigene entered into a Registration Rights Agreement dated January 18, 2015 which provides for certain registration rights with respect to resale of the shares. The common stock of Curis is listed for quotation on the NASDAQ Global Market.

The fair value of the shares of Curis common stock on the date of the Stock Purchase Agreement was Rs.14,517 lacs (U.S.$235 lacs).

Revenues under the Collaboration Agreement consist of upfront consideration (including the shares of Curis common stock) and the development and commercial milestone payments described below, which are deferred and recognized as revenue over the period for which Aurigene has continuing performance obligations.

Under the Collaboration Agreement, Aurigene is entitled to development and commercial milestone payments as follows:

- for the first two programs: up to U.S.$525 lacs per program, including U.S.$425 lacs for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any;
- for the third and fourth programs: up to U.S.$500 lacs per program, including U.S.$425 lacs for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any; and
- for any program thereafter: up to U.S.$1405 lacs per program, including U.S.$875 lacs for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any.

In addition, Curis has agreed to pay Aurigene royalties, ranging between high single digits to 10%, on its net sales in territories where it commercializes products. Furthermore, Aurigene is entitled to receive a share of Curis' revenues from sublicenses, which share varies based upon specified factors such as the sublicensed territory, whether the sublicense revenue is royalty based or non-royalty based and, in some cases, the stage of the applicable molecule and product at the time the sublicense is granted.

On September 7, 2016, the Collaboration Agreement was amended to provide for the issuance to Aurigene of approximately 102 lacs shares of Curis common stock in lieu of receiving up to U.S.$245 lacs of milestone and other payments from Curis that could have become due under the Collaboration Agreement. These shares of Curis common stock are recorded at U.S.$1.84 per share, which is equal to the market price of such shares of common stock on the date of issuance, amounting to an aggregate market value of Rs. 12,468 lacs (U.S.$188 lacs).

These additional shares are also subject to a lock-up agreement which is similar to the lock-up for the original Curis shares the Company received. However, this lock-up remains effective until September 7, 2018, with shares being released from such lock-up in 25% increments on each of March 7, 2017, September 7, 2017, March 7, 2018 and September 7, 2018, subject to acceleration of release of all the shares in connection with a change of control of Curis.

The Company has evaluated the transaction under Ind AS 28, "Investments in associates and Joint Ventures." and believes that the Company does not have any significant influence with respect to Curis. The Company, on the transition date, has irrevocably elected to recognise the fair value changes in the statement of other comprehensive income. Accordingly, such invesments are recognised as FVTOCI investments.

Consequently, gain of Rs.18,538 lacs (previous year: (Rs 7,418)) arising from changes in the fair value of such shares of common stock was recorded in other comprehensive income as of March 31, 2017

Amount in Rupees in lacs, unless stated otherwise

36) Related party disclosures

Names of related parties and related party relationship

(a) Related parties where control exists

Holding company	:	Dr. Reddy's Laboratories Limited, Hyderabad
Wholly owned subsidiary ('WOS')	:	Aurigene Discovery Technologies Inc., U.S.A Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia

(b) Related parties under IND AS 24 with whom transactions have taken place during the year

Holding company	:	Dr. Reddy's Laboratories Limited, Hyderabad
Wholly owned subsidiary ('WOS')	:	Aurigene Discovery Technologies Inc., U.S.A Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia
Fellow subsidiaries	:	Promius Pharma LLC
Key management personnel	:	Mr. CSN Murthy – Chief Executive Officer Mr. Ashish Lath – Chief Financial Officer
Independent Directors	:	Dr. Bruce L. A. Carter Julius John Sheldon Knowles Mr. Hariharnath Buggana

c) Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

Name	Nature of transactions	For the year ended March 31, 2017	For the year ended March 31, 2016
Dr. Reddy's Laboratories Limited	Revenue from operations	755	1,859
Aurigene Discovery Technologies (M) Sdn Bhd	Revenue from operations	-	434
Promius Pharma, LLC.	Revenue from operations	11	4
Aurigene Discovery Technologies (M) Sdn Bhd	Fixed assets purchased	52	16
Dr. Reddy's Laboratories Limited	Rental income received	124	124
Dr. Reddy's Laboratories Limited	Rental expenses paid	137	138
Dr. Reddy's Laboratories Limited	Purchase of laboratory consumables	180	118
Dr. Reddy's Laboratories Limited	Reimbursement of expenses received	64	33
Dr. Reddy's Laboratories Limited	Reimbursement of expenses paid	354	274
Aurigene Discovery Technologies (M) Sdn Bhd	Research and development expenses	256	380
Dr. Reddy's Laboratories Limited	Dividend paid	1,811	1,585
Aurigene Discovery Technologies Inc., U.S.A	Impairment of investment in associates and joint ventures	-	63

d) Balances outstanding as at year end

Name	Nature of transactions	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Dr. Reddy's Laboratories Limited	Trade payables	127	53	107
Aurigene Discovery Technologies (M) Sdn Bhd	Trade payables	48	31	37
Aurigene Discovery Technologies Inc.	Trade payables	-	-	33
Dr. Reddy's Laboratories Limited	Accrual for intercompany expenses - Trade payables	31	67	-
Dr. Reddy's Laboratories Limited	Trade receivables	146	385	318
Dr. Reddy's Laboratories Limited	Accrual for intercompany expenses - Trade receivables	6	-	-
Aurigene Discovery Technologies Inc., U.S.A.	Investment in associates and joint ventures	2,465	2,465	2,465
Aurigene Discovery Technologies (M) Sdn Bhd	Investment in associates and joint ventures	156	156	156
Aurigene Discovery Technologies Inc.	Provision for diminution in value of investment in subsidiaries	2,465	2,465	2,402
Aurigene Discovery Technologies Inc.	Other receivables - current	18	48	20

e) Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions and reimbursement of expenses to/ from related parties is at actual cost. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2016: Nil, April 1, 2015: Nil).

f) Compensation of key management personnel of the Company

The following table describes the components of compensation paid or payable to key management personnel:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Salaries, wages and bonus	221	187
Contribution to defined contribution plan	8	8
Long term incentives paid	205	200
	434	395

Some of the key management personnel of the Company are also covered under the Company's Gratuity Plan along with the other employees of the Company. Proportionate amounts of gratuity accrued under the Company's Gratuity Plan have not been separately computed or included in the above disclosure.

g) Remuneration to Independent Directors

The following table describes the remuneration paid or payable to the Independent Directors:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Remuneration for the year ended *	30	30
	30	**30**

* Actual remuneration paid for the year ended March 31, 2016 amounted to Rs 20 lacs.

37) Standalone financial statements

The Company has used the exemption available to companies under Companies Act, 2013 and IndAS from preparing consolidated financial statements if certain criteria are met (Refer note 2.2).

a) Details of holding company

Below is the details of the holding company whose consolidated financial statements comply with IndAS:

Holding company	: Dr. Reddy's Laboratories Ltd., Hyderabad
Principal place of business of the holding company	: 8-2-337, Road No. 3, Banjara Hills, Hyderabad 500 034, India

The consolidated financial statement of the holding company prepared as per IndAS are obtainable from the above address.

b) Details of subsidiaries

Name	Principal place of business	Proportion of ownership interest and voting rights as at		
		March 31, 2017	March 31, 2016	April 1, 2015
Aurigene Discovery Technologies Inc.	107 College Road E, Princeton, NJ 08540-6623, USA	100%	100%	100%
Aurigene Discovery Technologies (M) Sdn Bhd	Level 2, Research Management & Innovation Complex, Universiti of Malaya, Lembah Pantai, 50603, Kuala Lumpur, Malaysia	100%	100%	100%

38) Capital Management

The primary objective of the companies capital management is to maintain healthy capital ratios in order to support its business and maximise shareholder value. For the purpose of capital management of the company, capital includes issued equity capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the company.

The company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

39) Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors and the Audit Committee is responsible for overseeing the Company's risk assessment and management policies and processes.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses (apart from the losses/provisions already recognised in the financial statements) from non-performance by these counter-parties, and does not have any significant concentration of exposures to specific industry sectors or specific country risks.

The Company determines concentrations of credit risk by monitoring the economic and industry profile of its trade receivables on an ongoing basis. The credit concentration risk profile of the Company's trade receivables at the end of the reporting period is as follows:

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
No of customers owing the company more than Rs. 100 lacs	4	5	5
Total receivables from each such customers	1,557	1,741	1,296
% of total trade receivables	85%	90%	83%

Amount in Rupees in lacs, unless stated otherwise

Financial assets that are past due but not impaired

An impairment analysis is performed at each reporting date on an individual basis for all the customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The company does not hold collateral as security. The company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate in largely independent markets.

There is no other class of financial assets that is past due but not impaired except for trade receivables. The company's credit period generally ranges from 30-60 days. The aging analysis of the receivables has been considered from the date the invoice falls due. The age wise break up of receivables, net of allowances that are past due, is given below.

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Past due 0 – 30 days	424	171	543
Past due 31 – 60 days	45	218	18
Past due 61 – 90 days	8	-	-
Past due over 90 days	135	-	-
Total - past due but not impaired	612	389	561

Other than trade and other receivables, the Company has no significant class of financial assets that is past due but not impaired.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

Analysis of working capital:

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Total current assets	16,579	14,841	17,981
Total current liabilities	(8,136)	(6,808)	(6,305)
	8,443	**8,033**	**11,676**

The table below summarises the maturity profile of the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

As at March 31, 2017

	One year or less	One to five years	Over five years	Total
Trade payables	656	-	-	656
Other payables	434	-	-	434
Total undiscounted financial liabilities	**1,090**	-	-	**1,090**

As at March 31, 2016

	One year or less	One to five years	Over five years	Total
Trade payables	641	-	-	641
Other payables	328	-		328
Total undiscounted financial liabilities	**969**	-	-	**969**

As at April 1, 2015

	One year or less	One to five years	Over five years	Total
Trade payables	491	-	-	491
Other payables	130	-		130
Total undiscounted financial liabilities	**621**	-	-	**621**

c) Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates and commodity prices) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short term and long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing, revenue generating and operating activities in foreign currencies.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their investment in fixed interest term deposits with banks. The Company does not hedge its investment. The company reduces its interest rate risk by investing only in fixed interest term deposits with original maturity of upto one year.

Foreign currency risk

The Company's foreign exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. dollars). A significant portion of the Company's revenues are in these foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, the Company's revenues measured in Indian rupees may decrease. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future. The Company does not use derivative financial instruments, such as foreign exchange forward contracts, option contracts and currency swap contracts to mitigate the risk of changes in foreign currency.

The following table analyses foreign currency risk from non-derivative financial instruments as at March 31, 2017:

(Amount in Rupees in lacs)

Particulars	US Dollars	Euro	GBP	Others *
Non-derivative financials assets:				
Cash and cash equivalents	81	-	-	-
Trade receivables	1,616	67	-	-
Investments	49,269	-	-	-
	50,966	**67**	**-**	**-**
Non-derivative financials liabilities:				
Trade payables	36	55	12	47
Other payables	127	22	5	77
	163	**77**	**17**	**124**

The following table analyses foreign currency risk from non-derivative financial instruments as at March 31, 2016:

(Amount in Rupees in lacs)

Particulars	US Dollars	Euro	GBP	Others *
Non-derivative financials assets:				
Cash and cash equivalents	280	-	-	-
Trade receivables	1,534	-	-	16
Investments	18,262	-	-	-
	20,076	**-**	**-**	**16**
Non-derivative financials liabilities:				
Trade payables	154	-	-	31
Other payables	314	8	6	1
	468	**8**	**6**	**32**

* Others include currencies such as Canadian Dollars, Malaysian Ringgits, Swiss Franc etc.

As at March 31, 2017 and March 31, 2016, 10% increase/ decrease in the exchange rate of Indian rupee with USD, EURO, GBP and others would result in approximately Rs. 5,073 lacs and Rs. 2,060 lacs increase/decrease in the fair value of the Company's net foreign currency monetary items.

40) Fair valuation

Set out below, is a comparison by class of the carrying amounts and fair value of the company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying value			Fair value		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
Financial assets						
Other financial assets	618	483	167	618	483	167
Investment in subsidiaries	156	156	219	156	156	219
Total	**774**	**639**	**386**	**774**	**639**	**386**

The management assessed that cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of FVTOCI financial assets are derived from quoted market prices in active markets.

Amount in Rupees in lacs, unless stated otherwise

41) Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of March 31, 2017:

Particulars	As at	Level 1	Level 2	Level 3	Total
FVTOCI - Financial asset - Investment in equity securities	March 31, 2017	49,269	-	-	**49,269**
	March 31, 2016	18,262	-	-	**18,262**
	April 1, 2015	25,680	-	-	**25,680**

42) Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 2.20 - Financial instruments;

Notes 2.11 - Useful lives of property, plant and equipment;

Note 2.15 - Assets and obligations relating to employee benefits;

Note 2.16 - Provisions;

Note 2.9 - Evaluation of recoverability of deferred tax assets; and

43) Determination of fair values

The Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

Property, plant and equipment, if acquired in a business combination or through an exchange of non-monetary assets, is measured at fair value on the acquisition date. For this purpose, fair value is based on appraised market values and replacement cost.

(ii) Investments in equity instruments

The fair value of marketable equity securities is determined by reference to their quoted market price at the reporting date.

44) First time adoption of Ind AS

These financial statements for the year ended March 31, 2017, are the first the Company has prepared in accordance with Ind AS. For periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on March 31, 2017, together with the comparative period data as at and for the year ended March 31, 2016, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at April 1, 2015, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at April 1, 2015 and the financial statements as at and for the year ended March 31, 2016.

Exemptions applied

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

IND AS 16 - Property, Plant and Equipment - The Company has used the carrying amount of all of the the Property, plant and equipment as at the transition date as per the previous GAAP (Indian GAAP) as deemed cost of the Property, plant and equipment.

IND AS 19 - Employee Benefits - The company has elected to recognise all cumulative actuarial gains and losses subsequent to the date of transition to Ind-AS in other comprehensive income.

The Company has designated quoted equity instruments held at April 1, 2015 as fair value through OCI investments.

Estimates

The estimates at April 1, 2015 and at March 31, 2016 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Indian GAAP did not require estimation:
- FVTOCI – quoted equity share
- Impairment of financial assets based on expected credit loss model

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions at April 1, 2015, the date of transition to Ind AS and as of March 31, 2016.

Aurigene Discovery Technologies Limited

Reconciliation of equity as at April 1, 2015 (date of transition to Ind AS)

Amount in Rupees in lacs, unless stated otherwise

Particulars	Footnote	IGAAP	Adjustments	Ind AS
Assets				
Non-current assets				
Property, plant and equipment		6,029	-	6,029
Capital work in progress	1	1	2	3
Financial assets				
Investments	2	14,736	11,163	25,899
Other financial assets	1, 3	53	(21)	32
Other assets	3	-	19	19
		20,819	11,163	31,982
Current assets				
Inventories		54	-	54
Financial assets				
Trade receivables		1,558	-	1,558
Cash and cash equivalent		15,814	-	15,814
Other financial assets	4	427	(292)	135
Other assets	4	128	292	420
		17,981	-	17,981
Total assets		38,800	11,163	49,963
Equity and liabilities				
Equity				
Equity share capital		9,054	-	9,054
Other equity				
Share premium		288	-	288
General reserve		321	-	321
Capital redemption reserve		1,475	-	1,475
Capital reserve		18	-	18
Retained earnings	5	36	1,908	1,944
Other reserves	6	-	8,587	8,587
Total equity		11,192	10,495	21,687
Non-current liabilities				
Deferred tax liabilities (net)	6	(200)	2,576	2,376
Other liabilities		19,595	-	19,595
		19,395	2,576	21,971
Current liabilities				
Financial Liabilities				
Trade payables		491	-	491
Other payables	7	-	130	130
Liabilities for current tax (net)	7	-	1,553	1,553
Other liabilities	5, 7	7,722	(3,591)	4,131
		8,213	(1,908)	6,305
Total liabilities		27,608	668	28,276
Total equity and liabilities		38,800	11,163	49,963

Footnotes:

1. Under IndAS, capital advances amounting to Rs 2 lacs has been grouped under capital work-in-progress from other financial assets under non-current assets.

2. Non-current investments under IGAAP were recorded and subsequently measured at transaction value, whereas under IndAS investment in equity instruments are initially recognised and subsequently measured at fair value through other comprehensive income. Impact of fair valuation on carrying amount of investments was Rs 11,163 lacs and to this extent there is a increase in equity in other comprehensive income.

3. Under IndAS, long term loans and advances are classified as financial assets and non financial assets. Accordingly, prepaid expenses (Rs 2 lacs) and other receivable (Rs 17 lacs) totaling Rs 19 lacs has been reclassified to other assets under non-current assets.

4. Under IndAS, short term loans and advances and other current assets are to be classified as financial assets and non financial assets. Accordingly, items of short term loans and advances under IGAAP viz. prepaid expenses (Rs 144 lacs), advances to suppliers (Rs 77 lacs), VAT input credit (Rs 73 lacs), Service tax input credit (123 lacs) and other receivables (Rs 3 lacs) totaling Rs 420 lacs have been reclassified to other assets. Further, items of other assets under IGAAP viz. unbilled revenue (Rs 57 lacs) and interest accrued but not due (Rs 71 lacs) totaling Rs 128 lacs has been reclassified to other financial assets.

5. Under IGAAP, dividend expenses are recoded in the year to which it pertains even if the dividend has not been approved. However, under IndAS dividend expenses are recorded in the year in which it is approved. Therefore, dividend for the year ending 31 March 2015 amounting to Rs 1,585 lacs, which was approved in the year ending March 31, 2016, and dividend distribution tax thereon amounting to Rs 323 lacs has been recorded as per IndAS in the year ended March 31, 2016. Hence, retained earnings as per IndAS as at April 01, 2015 stands increased by Rs 1,908 lacs and other financial liabilities stand reduced by Rs 1,908.

6. Items in other comprehensive income are required to be shown net of taxes. Accordingly, deferred tax expense of Rs 2,576 has been reduced from other comprehensive income from fair valuation gain in investment on equity instruments amounting to Rs. 11,163 lacs. Therefore, there is net increase in other comprehensive income by Rs 8,587.

7. Creditor for capital goods (Rs 130 lacs) and Provision for taxation, net of advance taxes (Rs 1,553) totaling Rs 1,683 lacs has been reclassified from other current liabilities to other payables and Liabilities for current tax (net) respectively.

Aurigene Discovery Technologies Limited
Reconciliation of equity as at March 31, 2016
Amount in Rupees in lacs, unless stated otherwise

Particulars	Footnote	IGAAP	Adjustments	Ind AS
Assets				
Non-current assets				
Property, plant and equipment		5,886	-	5,886
Capital work in progress	1	-	7	7
Financial assets				
Investments	2	14,673	3,745	18,418
Other financial assets	1, 3	61	(28)	33
Other assets	3	0	21	21
		20,620	**3,745**	**24,365**
Inventories		66	-	66
Financial assets				
Trade receivables		1936	-	1,936
Cash and cash equivalent		11767	-	11,767
Other financial assets	4	629	(179)	450
Other assets	4	443	179	622
		14,841	**-**	**14,841**
Total assets		**35,461**	**3,745**	**39,206**
Equity and liabilities				
Equity				
Equity share capital		9,054	-	9,054
Other equity				
Share premium		288	-	288
General reserve		321	-	321
Capital redemption reserve		1,475	-	1,475
Capital reserve		18	-	18
Retained earnings	5	263	2,161	2,424
Other reserves	5, 6	-	2,900	2,900
Total equity		**11,419**	**5,061**	**16,480**
Non-current liabilities				
Deferred tax liabilities (net)	5, 6	(543)	864	321
Other liabilities		15,597	-	15,597
		15,054	**864**	**15,918**
Current liabilities				
Financial Liabilities				
Trade payables		641	-	641
Other payables	7	0	328	328
Liabilities for current tax (net)	7	0	2,053	2,053
Other liabilities	5, 7	8347	(4,561)	3,786
		8,988	**(2,180)**	**6,808**
Total liabilities		**24,042**	**(1,316)**	**22,726**
Total equity and liabilities		**35,461**	**3,745**	**39,206**

Footnotes:

1 Under IndAS, capital advances amounting to Rs 7 lacs has been grouped under capital work-in-progress from other financial assets under non-current assets

2 Non-current investments under IGAAP were recorded and subsequently measured at transaction value, whereas under IndAS investment in equity instruments are initially recognised and subsequently measured at fair value through other comprehensive income Impact of fair valuation on carrying amount of investments was Rs 3,745 lacs To this extent there is a increase in equity in other comprehensive income as on April 01, 2016

3 Under IndAS, long term loans and advances are classified as financial assets and non financial assets Accordingly, other receivable amounting Rs 21 lacs have been reclassified to other assets

4 Under IndAS, short term loans and advances and other current assets are to classified as financial assets and non financial assets Accordingly, item of short term loans and advances under IGAAP viz , prepaid expenses (Rs 168 lacs), advances to suppliers (Rs 55 lacs), VAT input credit (Rs 161 lacs), Service tax input credit (185 lacs) and other receivables (Rs 53 lacs) totaling Rs 622 lacs has been reclassified to other current assets Further, items of other current assets under IGAAP viz unbilled revenue (Rs 65 lacs) and interest accrued but not due (Rs 378 lacs) totaling Rs 443 lacs has been reclassified to other financial assets under current assets

5 Under IGAAP, dividend expenses are recoded in the year to which it pertains even if the dividend has not been approved However, under IndAS dividend expenses are recorded in the year in which it is approved Therefore, dividend for the year ending March 31, 2016 amounting to Rs 1,811 lacs, which was approved in the year ending March 31, 2017, and dividend distribution tax thereon amounting to Rs 369 lacs has been recoded as per IndAS in the year ended March 31, 2017 Hence, retained earnings as per IndAS as at March 31, 2016 stands increased by the above amounts totaling to Rs 2,180 lacs and other liabilities stand reduced to the same extent
Actuarial gains and losses on remeasurement of defined employee benefit scheme is taken to other comprehensive income under IndAS, whereas the same was accounted in profit and loss account under IGAAP Therefore, actuarial gains net of taxes amounting to Rs 19 lacs has been included in other comprehensive income under IndAS and consequently there is a decrease in retained earnings to that extent

6 Balance in other comprehensive income as at April 01, 2015 (transition date of IndAS) was Rs 8,588 lacs (refer Reconciliation of equity as at April 1, 2015) During the year the balance in other comprehensive income account has decreased by fair valuation loss on investment in equity instruments (Rs 7,418 lacs) and net of taxes (Rs 1,711 lacs) totaling Rs 5,707 lacs and increased by remeasurement gain on defined benefit plan (Rs 30 lacs) net of taxes (Rs 11 lacs) totaling Rs 19 lacs Therefore, there is net increase of Rs 2,900 lacs in other comprehensive income under IndAS as compared to IGAAP

7 Creditor for capital goods amounting to Rs 328 lacs and Provision for taxation, net of advance taxes (Rs 2,053) totaling Rs 2,381 lacs has been reclassified from other liabilities to other payables and Liabilities for current tax (net) respectively

Aurigene Discovery Technologies Limited
Reconciliation of statement of profit and loss as at March 31, 2016
Amount in Rupees in lacs, unless stated otherwise

Particulars	Footnote	IGAAP	Adjustments	Ind AS
Revenue from operations	1	17,812	12	17,824
Other income	1, 2	1,198	(1,073)	125
Finance income	2	-	1,061	1,061
Total income		**19,010**	-	**19,010**
Expenses				
Employee benefits expense	3	6,064	30	6,094
Depreciation and amortization expense		1,019	-	1,019
Other expenses		8,065	-	8,065
Finance costs		98	-	98
Total expense		**15,246**	30	**15,276**
Profit before tax		**3,764**	(30)	**3,734**
(1) Current tax	3	1,579	(11)	1,568
(2) Adjustment of tax relating to earlier periods		121	-	121
(3) Deferred tax		(343)	-	(343)
Income tax expense		**1,357**	(11)	1,346
Profit for the year		**2,407**	(19)	2,388
Other comprehensive income				
Items that are not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gains on defined benefit plans	3	-	30	30
Income tax effect	3	-	(11)	(11)
		-	19	19
Net loss on fair values through other comprehensive income for equity shares	4	-	(7,418)	(7,418)
Income Tax effect	4	-	1,711	1,711
		-	(5,707)	(5,707)
Other comprehensive income for the year, net of tax		-	(5,688)	(5,688)
Total comprehensive income for the year, net of tax		2,407	(5,707)	(3,300)

Footnotes:

1. Other income amounting Rs 12 lacs has been regrouped from other income to Revenue from operations.

2. Interest income on fixed deposits (Rs 1,040 lacs) and interest income on income tax refunds (Rs 21 lacs) totaling Rs 1,061 lacs has been reclassified from other income to finance income under IndAS.

3. Actuarial gain (Rs 30 lacs) on remeasurement of defined benefit liability as on 31 March 2016 has been accounted in other comprehensive income as per requirement of IndAS, hence the increase in employee benefit expenses. Consequently, current tax on the actuarial gain (Rs 11 lacs) has been reduced from current tax and net off against actuarial gain in other comprehensive income.

4. Investments in equity instruments under IGAAP were recorded and subsequently measured at transaction value, whereas under IndAS investment in equity instruments are initially recognised and subsequently measured at fair value through other comprehensive income. During the year there was decrease in fair value of the equity instrument amounting to Rs 7,418 lacs and therefore loss to that extent has been recognised in other comprehensive income under IndAS. Further, under IndAS the items in other comprehensive income are required to be shown net of taxes and hence the fair valuation loss has been net off by deferred tax amounting to Rs 1,711 lacs.

Amount in Rupees in lacs, unless stated otherwise

45) Details of cash transaction

Details of cash transaction during the period 08 November 2016 to December 31, 2016 is as follows:

(Amounts in Rupees)

Particulars	Specified Bank Notes *	Others	Total
Closing cash in hand as on November 8, 2016	41,500	5,406	46,906
Permitted Receipts	-	381,939	381,939
Permitted Payments	(17,500)	(303,886)	(321,386)
Amount Deposited in Bank	(24,000)	(28,000)	(52,000)
Closing Cash in Hand as on December 30, 2016	-	55,459	55,459

* Specified bank notes includes currency notes of denomination 1,000 and 500.

46) Events after the reporting date

There are no significant events after the reporting date.

47) Recent accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company

Ind AS 115, Revenue from Contracts with Customers

Ind AS 116, Leases

48) The Company has reclassified/ regrouped previous year's figures, wherever necessary, to confirm to current year's classification.

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm registration number: 101049W/E300004

Kaustav Ghose

Kaustav Ghose
Partner
Membership no.: 57828

Place: Bengaluru
Date : April 26, 2017

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

G.V. Prasad
Director

Place: Hyderabad
Date : April 26, 2017

Satish Reddy
Director

Place: Hyderabad
Date : April 26, 2017

Ashish Lath
Chief Financial Officer

Place: Bengaluru
Date : April 26, 2017

Sudipta V
Company Secretary

Place: Hyderabad
Date : April 26, 2017

beta Institut gemeinnützige GmbH, Augsburg

Report on the voluntary audit of the annual financial statements as at March 31, 2017

Auditor
Tax advisor
Bernhard Hall
Ravenspurgerstrasse 41
86150 Augsburg

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List of abbreviations

€	euro
Company	beta Institut gemeinnützige GmbH
HGB	Handelsgesetzbuch (German Commercial Code)
HR	Commercial register
IDW	Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf
IDW PS 400	IDW Auditing Standard "Principles for the proper issuing of audit opinions for statutory audits"
IDW PS 450	IDW Auditing Standard "Principles of proper reporting for statutory audits"
ICS	Internal control system
AS	Auditing standard
T€	Thousands of euros
PY	Prior year

A. Audit mandate

The Management Board of beta Institut gemeinnützige GmbH, Augsburg, Germany - hereinafter also referred to as "beta Institut" or "Company" - has commissioned me to audit the annual financial statements as at March 31, 2017, including the underlying accounting practices, for compliance with professional principles, and to report on the results of my audit in writing.

The auditing mandate was issued to me by the Management Board on February 23, 2017.

The Company is to be classified as a small company in accordance with the criteria set out in section 267, para. 1 HGB and is therefore not subject to audit pursuant to section 316 et seq. HGB. However, a voluntary audit of the financial statements is to be carried out.

I confirm, in accordance with section 321, para. 4a HGB, that I have observed the applicable rules on independence in carrying out my audit of the financial statements.

In the following report, which was prepared in accordance with the principles of proper reporting for audits of financial statements (IDW PS 450), I report on the nature, extent and results of my audit.

In Section B, the report provides in advance my opinion on the Management Board's assessment as well as statements in accordance with section 321, para. 1, sentence 3 HGB.

The audit procedure and audit results are described in detail in Sections C and D. The unqualified audit opinion issued on the basis of the audit is set forth in Section E.

I have attached the audited financial statements, consisting of the balance sheet (Annex 1), the income statement (Annex 2) and the notes to the financial statements (Annex 3) to my report.

The "General terms and conditions for auditors and auditing companies of January 1, 2002" that have been agreed upon and that are annexed to this report form the basis for the execution of the mandate and my responsibility, including in relation to third parties.

B. Basic determinations

I. Opinion on the assessment of the Management Board

In principle, the CEO must assess the economic situation of the company in the management report. Small capital companies are not under a legal obligation to draw up a management report. Nor has the Management Board voluntarily prepared a management report. Consequently, as a statutory auditor, I do not have any obligation to comment on the assessment of the company's situation by the legal representatives, as would otherwise be expressed in the management report.

C. Object, nature and scope of the audit

The object of the audit included the accounting and annual financial statements as at March 31, 2017 (Annexes 1 to 3), and compliance with the relevant legal requirements regarding the accounting and the supplementary provisions of the articles of association.

Verification of compliance with other legal provisions only falls within the scope of the statutory audit to the extent that these other provisions normally impact the annual financial statements. In this respect, a review of the nature and appropriateness of the insurance coverage, in particular whether all risks were taken into account and sufficiently insured, was not included in my audit mandate.

The Management Board of the Company is responsible for the accounting and the preparation of the financial statements as well as the information provided to me. My task is to assess the documents submitted by the Management Board and the information provided in the context of my audit.

I conducted the audit work in the offices of the company in Augsburg and at my office in Augsburg in April 2017. The audit report was then finalized. In preparation for the final audit, I carried out a preliminary audit in March 2017, during which the internal control system (ICS) was also audited.

The starting point for my audit was the annual financial statements prepared by the company as at March 31, 2017. The annual financial statements as at March 31, 2016, were adopted as such by the shareholders' resolution of January 18, 2017. In this respect, my audit is an initial audit because the annual financial statements for the previous year are unaudited due to the lack of a statutory audit obligation. The annual financial statements as at March 31, 2016, were also prepared by the Company.

I used the accounting records, the receipts and the files and documents of the Company as audit documents.

All information, explanations and documentary evidence requested by me have been willingly provided by the Management Board and the employees appointed to provide information. In addition to this, the Management Board has confirmed to me in the declaration of completeness that is standard for the profession that the accounts and the annual financial statements to be audited incorporate all assets, obligations, risks and accruals that are subject to accounting, including all expenses and income, that all necessary information has been provided and that all existing contingent liabilities have been disclosed to me. There were no significant events that occurred after the end of the fiscal year according to the information in the notes and none became known to me during my audit.

I conducted my audit of the financial statements in accordance with section 316 et seq. HGB and the generally accepted standards in Germany for the audit of financial statements set out by the IDW. Accordingly, I have planned and performed my audit with an orientation towards problems – but without any special focus on auditing for embezzlement – in such a way that irregularities and statutory violations materially affecting the presentation of the Company's net assets, financial position and results of operations in the annual financial statements in accordance with standard accounting practices could have been detected with reasonable assurance.

The audit included assessing the accounting principles used and significant estimates made by the Company's Management Board, as well as evaluating the overall presentation of the annual financial statements.

The audit was based on planning of the audit focal areas, taking into account my preliminary assessment of the Company's situation and an assessment of the effectiveness of the accounting-related internal control system (risk-oriented audit approach). The assessment was based in particular on findings related to the legal and economic framework conditions. Industry risks, corporate strategy and the resulting business risks are known from discussions with the Management Board and employees of the Company.

The risk areas identified in the audit planning resulted in the following focal areas of the audit:

- Audit of opening balance sheet values;
- Adjustment of receivables from and liabilities to affiliated companies.

On the basis of a provisional assessment of the internal control system (ICS), I have followed the principles of materiality and economic efficiency when defining the further audit procedures. The audit of the structure of the ICS was intended to ensure, in particular, the rules governing the regularity and reliability of the company's accounts, the continued existence of the company and the preservation of existing assets, including preventing or exposing asset misappropriation.

Both the analytical audit procedures and the individual case studies were therefore carried out on the basis of selected samples, taking into account the importance of the audit areas, the organization of the accounting and the findings of the audit of the ICS. The samples were consciously selected in such a way as to take account of the economic importance of the individual items in the annual financial statements and to enable adequate auditing for compliance with statutory accounting requirements.

To audit the company's assets and liabilities, I have obtained, among other things, a confirmation from the bank with which the company has business relations.

D. Findings and notes on accounting

I. Regularity of accounting

1. Accounting records and other audited documents

The accounting (financial and asset accounting records) as well as the preparation of the annual financial statements of the company are carried out by employees of an enterprise affiliated with the Company. The Company uses the programs of SAP in this process. Payroll accounting has been outsourced to an external service provider.

The accounting-related internal control system set up by the Company provides rules for the organization and control of work processes that are appropriate to the business purpose and scope. The accounting procedures did not undergo any significant organizational changes during the reporting period.

The organization of the accounting records system and the accounting-related internal control system make possible the complete, accurate, timely and orderly recording and booking of business transactions. The chart of accounts is adequately structured, and the document system is clearly organized. The books were appropriately opened with the figures from the previous year's balance sheet and were altogether kept properly during the entire fiscal year.

The information obtained from the other audited documents resulted in the proper presentation in the accounting records and the annual financial statements.

Overall, it can be stated that the accounting records and the other audited documents comply with legal requirements, including the principles of proper accounting and the supplementary provisions of the articles of association. The audit revealed no issues.

2. Annual financial statements

The present annual financial statements as at March 31, 2017, were drawn up in accordance with the provisions of German commercial law and the supplementary provisions of the articles of association. Partial use was made of the size-dependent simplifications for the preparation of annual financial statements.

The balance sheet and income statement are properly derived from the accounting records and other documents that were audited. The classification of the balance sheet is based on the provisions of section 266, para. 2 and 3 HGB. The income statement was prepared in accordance with section 275, para. 2 HGB using the total cost (nature of expense) method. If there are optional presentation methods in the balance sheet or the income statement, the corresponding disclosures are largely made in the notes.

The accounting and valuation methods applied to the balance sheet and the income statement are adequately explained in the notes prepared by the Company. All individual disclosures required by law as well as the optional disclosures on the balance sheet and the income statement, which are included in the notes, are completely and accurately presented.

The annual financial statements thus comply with legal requirements, including the principles of proper accounting and the supplementary provisions of the articles of association. The audit revealed no issues.

II. Overall presentation of the annual financial statements

1. Determinations of the overall presentation of the annual financial statements

Based on the findings of my audit, the annual financial statements as a whole, i.e. as an overall presentation of the annual financial statements – as determined by the combination of the balance sheet, the income statement and the notes to the financial statements – give a true and fair view of the Company's net assets, financial position and results of operations in accordance with the principles of proper accounting.

2. Significant valuation policies and changes to those policies

The following accounting and valuation methods were used in preparing the annual financial statements of the Company:

- Accounting and valuation under the assumption of continuation of business activities.

The accounting and valuation policies were essentially unchanged from the prior year. In addition, please see the explanations in the notes to the financial statements. In particular, a statement is made there on the new accounting regulations in accordance with the Accounting Directive Implementation Act (BilRUG). This has resulted in significant changes in the presentation of sales revenues and other operating income.

3. Measures influencing individual items

The findings of my audit did not reveal any reportable facts resulting from substantive measures in the audit period with a significant impact on the overall presentation of the annual financial statements.

4. Classifications and notes

As stipulated in the audit mandate, no breakdown of the main items in the balance sheet and the income statement is required. The notes are as follows:

Receivables from and liabilities to affiliated companies are exclusively in relation to Reddy Holding GmbH and betapharm Arzneimittel GmbH. The accounts are matched with the disclosures in the other companies.

Other provisions include an increase in performance bonus as well as the planned expenses for the re-launch of betanet.

Sales revenues include revenues from sponsorship and proceeds from licenses and from the creation of flyers and presentations. The increased expenses result from a higher performance-based compensation and an increased bonus month salary for employees, from the planned expenses for the re-launch of betanet and from increased I/C expenses for the provision of office space.

E. Presentation of the audit opinion and final remarks

After the conclusion of my audit, I have issued the following unqualified audit opinion on the annual financial statements as at March 31, 2017 (Annexes 1 to 3) of beta Institut gemeinnützige GmbH, Augsburg, Germany, dated April 12, 2017, which is reproduced here:

"Audit opinion

I have audited the annual financial statements consisting of the balance sheet, income statement and notes, including the accounting records of beta Institut gemeinnützige GmbH for the fiscal year from April 1, 2016, to March 31, 2017. The accounting methods and preparation of the annual financial statements under German commercial law and the supplementary provisions of the articles of association are the responsibility of the legal representatives of the Company. My responsibility is to express an opinion on the annual financial statements including the accounting records based on my audit.

I conducted my audit of the annual financial statements in accordance with section 317 HGB and generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW). Those standards require that I plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with standard accounting practices are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the accounting records and annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's legal representatives, as well as evaluating the overall presentation of the annual financial statements. I believe that my audit provides a reasonable basis for my opinion.

My audit has not led to any reservations.

In my opinion, based on the findings of my audit, the annual financial statements comply with legal requirements and the supplementary provisions of the articles of association and give a true and fair view of the Company's net assets, financial position and results of operations in accordance with standard accounting practices."

I make the above audit report concerning beta Institut gemeinnützige GmbH in accordance with the legal provisions and the principles of proper reporting for audits of financial statements.

Any use of the above-mentioned audit opinion outside this audit report requires my prior consent. In the event of publications or dissemination of the financial statements in a form deviating from the confirmed version (including translation into other languages), it is first necessary to obtain my opinion again if my opinion is cited or reference is made to my audit; please see section 328 HGB.

Augsburg, April 24, 2017

Bernhard Hall
Auditor

ANNEXES

beta Institut gemeinnützige GmbH

BALANCE SHEET
as at
March 31, 2017

Assets

	Notes	March 31 2017 EUR	March 31, 2016 EUR
A. Current assets			
I. Receivables	II.1		
1. Trade receivables		14,92	0,00
2. Receivables from affiliated companies	II.2	183.278,99	112.372,86
II. Cash and bank balances		1.715,03	3.945,72
Total assets		185.008,94	116.318,58

Liabilities

		March 31 2017 EUR	March 31, 2016 EUR
A. Equity			
I. Subscribed capital		100.000,00	100.000,00
II. Loss carry-forward		-13.062,74	-15.500,18
III. Net income		1.704,51	2.437,44
B. Provisions			
1. Other provisions		45.445,40	6.770,82
C. Liabilities	II.3		
1. Trade payables		2.510,58	0,00
2. Accounts payable to affiliated companies	II.4	47.228,87	21.345,10
3. Other liabilities	II.5	1.182,32	1.265,40
Total liabilities		185.008,94	116.318,58

beta Institut gemeinnützige GmbH

INCOME STATEMENT
for the period from
April 1, 2016 to March 31, 2017

	Notes	2016/2017 EUR	2015/2016 EUR
1. Sales revenues	II.6	270.255,00	212.407,83
2. Other operating income	II.7	3.588,09	0,00
3. Personnel expense			
a) Wages and salaries		-129.765,68	-105.590,70
b) Social security payments		-27.045,52	-29.405,56
4. Other operating expenses		-115.259,98	-74.974,13
5. Other taxes		-67,40	0,00
6. Net income		1.704,51	2.437,44

NOTES TO THE FINANCIAL STATEMENTS
for fiscal 2016/2017

I. General comments on accounting and valuation methods

The accounting and valuation methods used are explained below.

I.1 Receivables and other assets are recognized at nominal value, taking into consideration all identifiable risks.

I.2 Cash balances at financial institutions are recognized at nominal value.

I.3 Equity capital is recognized at nominal value.

I.4 Other provisions are recognized at the settlement amounts deemed necessary on the basis of a reasonable commercial assessment and taking into consideration all identifiable risks.

I.5 Liabilities are recognized at their settlement amount.

II. Notes to the balance sheet and income statement

II.1 All receivables are due within one year.

II.2 Receivables from affiliated companies include receivables from shareholders in the amount of €19,694.49 (previous year: €11,959.45).

II.3 All liabilities are due within one year.

II.4 Accounts payable to affiliated companies include liabilities to shareholders in the amount of €25,089.84 (previous year: €14,582.15).

II.5 Other liabilities include liabilities for taxes in the amount of €1,150.12 (previous year: €1,265.40).

II.6 The Accounting Directive Implementation Act (BilRUG) redefined the term sales revenues. Under the new definition, all revenues from the sale and rental of products and from the provision of services qualify as sales revenues. This means that the two criteria "ordinary business activities" and "typical service offer", which were used for the previous definition of sales revenues, are no longer applicable. As a result, income from the provision of services in fiscal 2016/17 amounting to €270,255.00 (previous year: €212,407.83) is reported for the first time as sales revenues. This was recognized under other operating income in the previous year. To improve comparability, the previous year's presentation is adjusted to the requirements of the BilRUG. Sales revenues for the previous year correspondingly increase by €212,407.83 from €0.00 to €212,407.83; in contrast, other operating income is reduced from €212,407.83 to €0.00.

II.7 For comparability of other operating income with the previous year, please refer to the explanations under point II.6.

III. Other notes

III.1 beta Institut gemeinnützige GmbH with head office in Augsburg, Germany, is registered with the Augsburg District Court under HRB 17408.

III.2 Dr. Reddy's Laboratories Limited, Hyderabad, India, prepares the consolidated financial statements for the largest and smallest scope of consolidation.

III.3 An average of 3 employees were employed during the fiscal year.

III.4 There were no significant events that occurred after the end of the fiscal year and were not taken into account in either the income statement or the balance sheet.

Augsburg, April 24, 2017

....
Dr. Clemens J. Troche
CEO

Audit opinion

I have audited the annual financial statements consisting of the balance sheet, income statement and notes, including the accounting records of beta Institut gemeinnützige GmbH, Augsburg, for the fiscal year from April 1, 2016, to March 31, 2017. The accounting methods and preparation of the annual financial statements under German commercial law and the supplementary provisions of the articles of association are the responsibility of the legal representatives of the Company. My responsibility is to express an opinion on the annual financial statements including the accounting records based on my audit.

I conducted my audit of the annual financial statements in accordance with section 317 HGB and generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW). Those standards require that I plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with standard accounting practices are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the accounting records and annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's legal representatives, as well as evaluating the overall presentation of the annual financial statements. I believe that my audit provides a reasonable basis for my opinion.

My audit has not led to any reservations.

In my opinion, based on the findings of my audit, the annual financial statements comply with legal requirements and the supplementary provisions of the articles of association and give a true and fair view of the Company's net assets, financial position and results of operations in accordance with standard accounting practices.

Augsburg, 24. April 2017

Bernhard Hall
Auditor

Annual financial statements as at March 31, 2017 and management report

AUDIT REPORT

betapharm Arzneimittel GmbH
Augsburg

KPMG AG Wirtschaftsprüfungsgesellschaft

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Please note that rounding differences may occur compared to the exact mathematical values (monetary units, percent values, etc.).

Directory of Annexes

1 Audit mandate

By shareholders' resolution dated March 21, 2017 of **betapharm Arzneimittel GmbH, Augsburg** – hereinafter referred to as the "Company" – we were appointed as auditors for the fiscal year ending March 31, 2017. The Management Board accordingly instructed us to audit the financial statements as at March 31, 2017, including the bookkeeping and management report.

This audit report was drawn up in accordance with the principles of IDW Auditing Standard 450.

We confirm, in accordance with section 321, para. 4a of the German Commercial Code (HGB), that we have observed the applicable rules on independence in carrying out our audit of the financial statements.

The contract is based on the General Conditions for Auditors and Accounting Companies in the version as at January 1, 2017 attached in Annex 4. Our liability is based on No. 9 of the General Conditions of Contract. No. 1(2) and No. 9 of the General Conditions of Contract apply as regards our liability to third parties.

2 Basic determinations

2.1 Opinion on the assessment of the Management Board

The following key statements of the management report should be highlighted in our view:

- The generics market continued to be characterized by discount agreement tenders by health insurance funds in the past fiscal year.

- To ensure growth, the Company has selectively but increasingly taken part in tenders for discount agreements.

- Net sales revenues in the accounting year fell sharply by 12.9% to EUR 116.6 million as did profit before profit transfer, which fell EUR 24.4 million to EUR 7.1 million. Management targets for 2016-17 were achieved for domestic business, while foreign business fell short of forecasts, because here the flattening product life cycle for a key drug on foreign markets and the associated increase in competition led to a considerable decline in revenues and profit for the year.

- For the current fiscal year, the management expects that foreign business will decline further and that sales revenues will thus fall by a high single-digit percentage. Profit before profit transfer is therefore also expected to decrease substantially overall.

We are of the opinion that the management report as a whole provides an accurate picture of the Company's position and suitably presents the material opportunities and risks of future development.

Please refer to Annex 2 and 3 for the Company's economic and company-law principles.

3 Conduct of audit

3.1 Object of audit

We have audited the annual financial statements including the bookkeeping and management report for betapharm Arzneimittel GmbH for the fiscal year ending March 31, 2017. The Management Board of the Company is responsible for

- the bookkeeping,
- preparing the annual financial statements and management report under German commercial law and
- the statements and information issued to us.

Our responsibility is to express an opinion on the annual financial statements and the management report based on our audit.

Verification of compliance with other legal provisions only falls within the scope of the statutory audit to the extent that these other provisions normally impact the annual financial statements or management report.

3.2 Type and scope of audit

We conducted our audit of the financial statements in accordance with section 317 HGB and generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW). The objective of our risk-based audit plan is to ensure that the statements in the annual financial statements and the management report of betapharm Arzneimittel GmbH form a reliable basis for economic decisions made by users of these statements.

The basic principles of our audit procedure are as follows:

Phase I: Developing an audit strategy geared to business risks

Acquire an understanding of the business and knowledge of its accounting systems and internal control system

Determine focal points for the audit based on our risk assessment:

- Inventory, valuation and intrinsic value of merchandise
- Inventory and intrinsic value of trade receivables
- Estimate and valuation of receivables from affiliated companies
- Completeness and valuation of provisions
- Plausibility of information forecast in the management report

Determine the audit strategy and chronological sequence of the audit

Choose the audit team and plan for the use of specialists

Phase II: Selecting and conducting control-based audit procedures

Select control-based audit procedures based on risk assessment and knowledge of business processes and systems

Assess the form and effectiveness of the accounting-related control measures selected

Phase III: Individual audits and analytical audits of individual items

Conduct analytical audits of individual items

Individual audits on samples and assessment of one-off items taking into account related accounting options and discretionary powers inter alia

- Obtaining assurances from lawyers and financial institutions
- Obtaining balance confirmations from selected customers and suppliers
- Obtaining audit results in accordance with ISAE 3402 from Ernst &Young LLP, Boston, USA, on control activities in payroll accounting; some of these are outsourced to the external service provider ADP Employer Services GmbH, Neu-Isenburg.

  To ascertain whether the results of the external auditors could be used, we assessed their qualifications. These are suitable to anticipate the effectiveness of the certified internal control system in this area.
- Obtaining audit results from the auditors of the consolidated financial statements of Dr. Reddy’s Laboratories Limited, Hyderabad, India, on the organizational and technical measures taken by the Company to ensure the security of accounting-relevant data.
- To ascertain whether the results of the external auditors could be used, we assessed their qualifications. These are suitable to anticipate the effectiveness of the certified internal control system in this area.

Audit of information in the Notes and assessment of the management report

Phase IV: Overall assessment of audit results and reporting

Formation of audit opinion based on overall assessment of audit results

Reporting in audit report and audit opinion

Detailed verbal statements on audit results to management

We conducted the audit (with interruptions) in the months March to May 2017, up to May 5, 2017.

All statements and information requested by us were provided. The Management Board confirmed in writing to us that the bookkeeping, the annual financial statements and the management report were complete.

4 Findings on accounting practices

4.1 Bookkeeping and related documentation

The Company's books are properly kept. The document function is fulfilled. According to our findings, the bookkeeping and related documentation comply with the statutory provisions.

During our audit we ascertained that the organizational and technical measures taken by the Company are suitable for ensuring the security of the processed accounting-related data and IT systems.

4.2 Annual financial statements

The annual financial statements submitted to us for auditing as at March 31, 2017 were properly derived from the Company's books and related documentation. The opening balance sheet amounts were correctly taken from the previous year's financial statements. The statutory provisions on estimating, recognition and assessment were observed.

The balance sheet and the income statement were prepared in accordance with German commercial law on the accounting practices for companies with limited liability including the principles of standard accounting practices. The Notes contain all prescribed information.

The safeguard clause of section 286, para. 4 HGB is lawfully applied.

4.3 Management report

The management report of the Management Board complies with the statutory provisions. The management report is consistent with the annual financial statements and with the findings of our audit. Overall, it provides an accurate picture of the Company's position. Our audit revealed that the opportunities and risks for future development are accurately portrayed in the management report.

5 Opinion on the overall presentation of the annual financial statements

5.1 Notes to the overall presentation

The general valuation principles are described in the Notes (see Annex 1.3).

Accounting and valuation options and the use of discretionary powers in the following items have a material influence on the Company's net assets, financial position and results of operations:

In determining the economic lifetime of marketing authorizations for pharmaceutical products and other rights to marketing authorizations (**intangible assets**) an authorization term of eight years was taken as a basis in the annual financial statements.

The formation of provisions for inventories is based on management estimates. As regards the **assessment of merchandise**, as in the previous year, impairment of merchandise was taken into account during the year under review if it had a remaining shelf life between three and six months, depending on the medication, or if it had a longer range of coverage based on stocks and use over the previous six months before the closing date. In addition an impairment is recognized if the inventory levels for a specific medication on the balance sheet date are above the forecast sales figures.

Provisions for discount agreements are determined based on market data on product sales in pharmacies. In addition, discount provisions are formed for products which on the balance sheet date were already recorded as sales by the Company but were not yet sold on by pharmacies. The calculation basis for these provisions is the difference between the Company's product sales and discounted sales. The Company assumes that a product remains in-pharmacy or in interim storage at distributors for 60 days after being sold by the Company. This results in a provision for products not yet sold on by pharmacies of EUR 11,595,000 as at the balance sheet date.
The following grooming transactions with significant effects on the overall presentation of the Company's annual financial statements were carried out:

The Company is indirectly wholly owned by Dr. Reddy's Laboratories Limited, Hyderabad, India, which also supplies the Company with merchandise.

There are various charges for rental and services with the other German affiliated companies included in the consolidated financial statements of Dr. Reddy's Laboratories Limited, Hyderabad, India. In the year under review, the earnings, amounting to EUR 2.2 million (previous year: EUR 2.0 million), were reduced by payments for services. The payments are based on costs incurred the previous year and were not adjusted to the year under review. Income from rental to affiliated companies under rental agreements concluded with these companies are shown under sales revenues.

5.2 Appraisal of the overall presentation of the annual financial statements

Our overall assessment of the valuation principles and grooming transactions described above is that the annual financial statements give a true and fair view of the Company's net assets, financial position and results of operations in accordance with standard accounting practices.

6 Audit opinion

We have issued the following unqualified audit opinion:

Audit opinion

We have audited the annual financial statements consisting of the balance sheet, income statement and notes, including the bookkeeping and management report of betapharm Arzneimittel GmbH, Augsburg for the fiscal year from April 1, 2016 to March 31, 2017. The bookkeeping and preparation of the annual financial statements under German commercial law are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the annual financial statements including the bookkeeping and management report based on our audit.

We conducted our audit of the financial statements in accordance with section 317 HGB and generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with standard accounting practices and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the bookkeeping, annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Management Board, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of betapharm Arzneimittel GmbH in accordance with standard accounting practices. The management report is consistent with the financial statements and with the statutory provisions, and as a whole provides an accurate picture of the Company's position and suitably presents the opportunities and risks of future development.

Munich, May 5, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Huber Auditor	Harrieder Auditor

Annexes

Annex 1

Annual financial statements as at March 31, 2017 and management report

Balance sheet as at March 31, 2017

Assets

	March 31, 2017		March 31, 2016	
A. Fixed assets	EUR	EUR	EUR	EUR
I. Intangible assets				
1. Paid concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	23,274,936.91		34,815,663.62	
2. Advances paid	2,217,613.22	25,492,550.13	1,392,371.28	36,208,034.90
II. Tangible assets				
1. Land, similar rights and buildings including buildings on land owned by third parties	482,401.80		493,336.23	
2. Technical plant and equipment	0.00		0.00	
3. Other plant, operating and office equipment	106,017.70		159,193.10	
4. Advances paid	2,079,070.40	2,667,489.90	1,343,422.00	1,995,951.33
		28,160,040.03		**38,203,986.23**
B. Current assets				
I. Inventories				
1. Raw materials and supplies	0.00		7,049.46	
2. Work in process	102,313.90		65,372.41	
3. Finished goods and merchandise	17,647,360.00	17,749,673.90	12,067,697.70	12,140,119.57
II. Receivables and other assets				
1. Trade receivables	14,304,612.36		9,391,558.78	
2. Receivables from affiliated companies	29,107,335.99		24,719,052.89	
3. Other receivables and assets	2,415,607.89	45,827,556.24	2,536,257.41	36,646,869.08
III. Cash in hand and cash balances at financial institutions		115,921.79		102,971.35
		63,693,151.93		**48,889,960.00**
C. Prepaid expenses		**97,500.00**		**97,500.00**
		91,950,691.96		**87,191,446.23**

Liabilities

	March 31, 2017	March 31, 2016
A. Equity	**EUR**	**EUR**
Subscribed capital	**1,022,583.76**	**1,022,583.76**
B. Provisions		
Other provisions	**47,735,808.60**	**43,214,246.14**
C. Liabilities		
1. Trade payables	3,127,061.37	2,608,791.96
2. Liabilities to affiliated companies	39,843,897.13	40,241,207.52
3. Other liabilities	221,341.10	104,616.85
	43,192,299.60	**42,954,616.33**
	91,950,691.9	**87,191,446.23**

Income statement for the period from April 1, 2016 to March 31, 2017

	2016/17		2015/16	
	EUR	EUR	EUR	EUR
1. Sales revenues		116,619,636.49		133,865,823.41
2. Increase in inventories of finished and unfinished goods		674,451.62		527,045.82
3. Other operating income		4,042,188.79		4,617,967.83
		121,336,276.90		**139,010,837.06**
4. Cost of materials				
a) Cost of raw materials and supplies and goods purchased	-43,018,967.40		-42,085,034	
b) Cost of services purchased	-2,418,553.23	-45,437,520.63	-2,237,475.50	-44,322,510.17
5. Personnel expense				
a) Wages and salaries	-3,845,325.27		-3,400,483.48	
b) Social security contributions	-592,529.76	-4,437,855.03	-556,171.52	-3,956,655.00
6. Depreciation and amortization of tangible and intangible assets		-12,156,930.49		-3,911,394.40
7. Other operating expenses		-12,199,633.84		
		47,104,336.91		**71,274,143.20**
8. Other interest and similar income	92.88		249,881.61	
9. Interest and similar expenses	-923.19	-830.31	-137.03	249,744.58
10. Earnings before other taxes and profit transfer		**47,103,506.60**		**71,523,887.78**
11. Other taxes		-18,824.01		-16,423.80
12. Expenses from profit transfer agreement		-47,084,682.59		-71,507,463.98
13. Net income		**0.00**		**0.00**

betapharm Arzneimittel GmbH, Augsburg

NOTES TO THE FINANCIAL STATEMENTS
for fiscal year 2016/17

I. General comments on accounting and valuation methods

Accounting and valuation methods

The accounting and valuation methods used are explained below.

The annual financial statements for betapharm Arzneimittel GmbH are prepared in EUR and in accordance with the accounting rules contained in the German Commercial Code (HGB). In addition to these provisions, the regulations of the German Act on Limited Liability Companies (GmbH-Gesetz) are also observed.

Purchased **intangible assets** are stated at cost and, where subject to depreciation, written down on a straight-line basis over their expected useful life from the acquisition date. This is three years for software licenses, and eight years for marketing authorizations for pharmaceutical products and other rights to marketing authorizations.

Tangible assets are stated at cost and, where subject to depreciation, reduced by scheduled depreciation. Scheduled linear depreciations were made regularly over 2 to 10 years, according to the expected useful life of the assets.

Low-value assets with acquisition costs of no more than EUR 410.00 are fully written off in the current fiscal year.

As the Company does not have its own production operations, product manufacturing is outsourced to contract manufacturers. APIs (active pharmaceutical ingredients) and product packaging are shown under **Raw materials and supplies**, bulk products (loose tablets) are reported under **Work in process** and primarily merchandise and physicians' samples are recorded under **Finished goods and merchandise**.

All items are recognized at cost. Inventory risks arising due to storage periods, limited usability, etc. are taken into account through depreciation. The lowest value principle is applied.

Receivables and other assets are recognized at nominal value, taking into consideration all identifiable risks.

Cash in hand and cash balances at financial institutions are recognized at nominal value.

Prepaid expenses include expenses before the balance sheet date to the extent that they represent expenditure for a defined period after this date.

Equity capital is recognized at nominal value.

Other provisions are recognized at the settlement amounts deemed necessary on the basis of a reasonable commercial assessment and taking into consideration all identifiable risks.

Liabilities are recognized at their settlement amount.

Principles for converting foreign currency items into EUR

Receivables and liabilities in foreign currencies are recorded upon initial recognition at the mean spot rate on the transaction date. As regards subsequent valuations, receivables and liabilities in foreign currencies are translated at the mean spot rate on the balance sheet date and are recorded with an impact on profit or loss. The realization and historical cost principle is taken into account for a remaining term of more than one year but not for a remaining term of less than one year.

Fiscal unity

The Company is part of an intercompany grouping for **income and sales tax consolidation**, with Reddy Holding GmbH, Augsburg, as the controlling company. Future tax burdens or tax reliefs due to temporary differences between financial statement valuations and the corresponding tax valuations are taken into account in the individual financial statements of the controlling company as a taxable entity.

Income statement

The income statement is prepared using the total cost method.

II. Notes to the balance sheet and income statement

Fixed assets

The breakdown and changes in assets are shown in the asset analysis (Annex to the Notes).

Concessions and industrial property rights

Marketing authorizations, software and other rights are reported under Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets.

Receivables

All receivables have a remaining term of less than one year as at the reporting date. Receivables from shareholders amount to EUR 790,391.19 (previous year: EUR 0.00).

Provisions

Other provisions mainly relate to provisions for hospital discounts in the amount of EUR 39,682,000 (previous year: EUR 32,939,000), provisions for returns in the amount of EUR 1,767,000 (previous year: EUR 1,469,000) and provisions for authorization fees in the amount of EUR 1,636,000 (previous year: EUR 2,816,000).

Information on liabilities

Liabilities have a remaining term of up to one year as at the reporting date. There are no liabilities with a remaining term of one to five years or with a remaining term of more than five years.

Liabilities to affiliated companies

Liabilities to affiliated companies include liabilities to shareholders in the amount of EUR 30,195,000 (previous year: EUR 7,763,000).

Other liabilities

Other liabilities include liabilities arising from social security in the amount of EUR 0 (previous year: EUR 5,000) and tax liabilities in the amount of EUR 68,000 (previous year: EUR 60,000).

Sales revenues

The Company operated in two different geographical markets in the past fiscal year. Domestic sales totaled EUR 64,321,000 (previous year: EUR 65,072,000), while sales in the USA amounted to EUR 52,299,000 (previous year: EUR 68,598,000). In the previous year, there were also sales revenues of EUR 196,000 in other foreign countries.
In the year under review, sales revenues were expanded as a result of the new definition in accordance with section 277, para. 1 HGB. If section 277, para. 1 HGB as amended by the Accounting Directive Implementation Act (BilRUG) had been applied in the 2015/16 fiscal year, sales revenues would have been EUR 86,000 higher.

Other operating income

For comparability of other operating income with the previous year, please refer to the explanations under “Sales revenues”. If section 277, para. 1 HGB as amended by the Accounting Directive Implementation Act (BilRUG) had been applied in the 2015/16 fiscal year, other operating income would have been EUR 4,532,000 higher.

Other operating income includes income from currency translation in the amount of EUR 1,635,000 (previous year: EUR 3,165,000) and other current operating income in the amount of EUR 0 (previous year: EUR 88,000). Off-period income of EUR 2,407,000 is also included (previous year: EUR 1,365,000).

Other operating expenses

Other operating expenses include expenditure due to currency translation in the amount of EUR 939,000 (previous year: EUR 4,692,000) and other current operating expenses in the amount of EUR 10,798,000 (previous year: EUR 10,124,000). Off-period expenditure of EUR 463,000 is also included (previous year: EUR 730,000).

Other interest and similar income

Other interest and similar income includes interest income from affiliated companies amounting to EUR 0 (previous year: EUR 250,000).

Interest and similar expenses

Interest expenditure includes interest paid to affiliated companies amounting to EUR 0 (previous year: EUR 0).

III. Other notes

Company name, registered office, court of registration

betapharm Arzneimittel GmbH with head office in Augsburg, Germany, is registered with the Augsburg District Court under HRB 13268.

Size class

Under section 267, para. 3 HGB, the Company is classified as a large corporation.

Off-balance sheet transactions

The main off-balance sheet transactions as defined in section 285, para. 3 HGB are obligations arising from property leasing in the amount of EUR 1,889,000 (previous year: EUR 2,143,000).

Property leasing relates to the office building at Kobelweg 95, Augsburg. The leasing agreement means that betapharm does not have to tie up financial resources for property financing. The agreement cannot be terminated until the basic rental period expires and sets out a fixed residual value at the end of the agreement.

Other financial commitments

In addition to the liabilities set out in the balance sheet, other financial commitments amount to EUR 234,000 (previous year: EUR 469,000). These relate to a sponsorship agreement in the amount of EUR 200,000 (previous year: EUR 350,000) and car leasing agreements in the amount of EUR 34,000 (previous year: EUR 119,000). The obligation arising from the sponsorship agreement relates entirely to an affiliated company.

Names of managing directors

During the past fiscal year, the Company was run by the following persons:

Dr. Clemens Johannes Troche, physician and businessman

Abhijit Mukherjee, businessman

Managing directors' remuneration

Pursuant to section 286, para. 4 HGB, the managing directors' compensation is not disclosed.

Group affiliation

The parent company which prepares the consolidated financial statements for the largest and smallest sets of consolidated companies is Dr. Reddy's Laboratories Limited, Hyderabad, India. The consolidated financial statements drawn up in accordance with IFRS accounting principles as at March 31, 2017 are disclosed to the Securities and Exchange Commission (SEC), Washington, USA.

Average number of employees during the fiscal year

The average number of employees was 53 (previous year: 50).

Audit fees

For details of the total audit fees as per section 285, para. 17 HGB, please refer to the consolidated financial statements of Dr. Reddy's Laboratories Limited, Hyderabad, India.

Events after the balance sheet date

No significant events occurred after the end of the fiscal year that were not taken into account in either the income statement or the balance sheet.

Augsburg, May 5, 2017

....
Dr. Clemens Johannes Troche
Managing director

....
Abhijit Mukherjee
Managing director

Changes in fixed assets in the 2016/17 fiscal year

	Acquisition and manufacturing costs				
	April 1, 2016	Additions	Disposals	Reclassifi-cation	March 31, 2017
	EUR	EUR	EUR	EUR	EUR
I. Intangible assets					
1. Paid concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	56,470,787.92	363,940.42	0.00	170,388.28	57,005,116.62
2. Advances paid	1,392,371.28	995,630.22	0.00	-170,388.28	2,217,613.22
	57,863,159.20	**1,359,570.64**	**0.00**	**0.00**	**59,222,729.84**
II. Tangible assets					
1. Land, similar rights and buildings including buildings on land owned by third parties	676,124.08	0.00	0.00	0.00	676,124.08
2. Technical plant and equipment	743,456.59	0.00	0.00	0.00	743,456.59
3. Other plant, operating and office equipment	1,264,230.90	17,765.25	0.00	0.00	1,281,996.15
4. Prepayments on assets	1,343,422.00	735,648.40	0.00	0.00	2,079,070.40
	4,027,233.57	**753,413.65**	**0.00**	**0.00**	**4,780,647.22**
	61,890,392.77	**2,112,984.29**	**0.00**	**0.00**	**64,003,377.06**

Accumulated depreciations				Book value	
April 1, 2016	Depreciations for the fiscal year	Disposals	March 31, 2017	March 31, 2017	March 31, 2016
EUR	EUR	EUR	EUR	EUR	EUR
21,655,124.30	12,075,055.41	0.00	33,730,179.71	23,274,936.91	34,815,663.62
0.00	0.00	0.00	0.00	2,217,613.22	1,392,371.28
21,655,124.30	**12,075,055.41**	**0.00**	**33,730,179.71**	**25,492,550.13**	**36,208,034.90**
182,787.85	10,934.43	0.00	193,722.28	482,401.80	493,336.23
743,456.59	0.00	0.00	743,456.59	0.00	0.00
1,105,037.80	70,940.65	0.00	1,175,978.45	106,017.70	159,193.10
0.00	0.00	0.00	0.00	2,079,070.40	1,343,422.00
2,031,282.24	**81,875.08**	**0.00**	**2,113,157.32**	**2,667,489.90**	**1,995,951.33**
23,686,406.54	**12,156,930.49**	**0.00**	**35,843,337.03**	**28,160,040.03**	**38,203,986.23**

betapharm Arzneimittel GmbH, Augsburg

Management report for the fiscal year from April 1, 2016 to March 31, 2017

Company fundamentals: organization, business model and strategy

betapharm Arzneimittel GmbH ("betapharm") with head office in Augsburg is a company of the pharmaceutical manufacturer Dr. Reddy's Laboratories Ltd., Hyderabad ("Dr. Reddy's"), which is domiciled in India. Within the worldwide group, betapharm is responsible for selling generic products in Germany.

The Company, which was founded in 1992, has a wide range of products comprising over 150 active ingredients. betapharm sells both products developed internally by Dr. Reddy's and licensed products manufactured on behalf of betapharm. In the case of prescription drugs, betapharm covers not only the cardiovascular arena but also pain therapy, neurology, psychiatry and oncology applications. To a lesser extent, it also offers generic OTC products – i.e. drugs that do not require a prescription and are sold over the counter (OTC).

Products are distributed under the "betapharm" brand. They are aimed at practicing physicians and pharmacists (retail market) and at hospitals and oncology centers. These customers are supplied via wholesalers with which betapharm maintains close, partner-like relations. Health insurance funds are significant market operators: They determine prices via discount agreements and have an influence on which products are dispensed to patients by pharmacists.

betapharm focuses on the largest possible range of generics in the low-price segment. The aim is to exploit the potential for value creation arising from the launch of new products. In order to be one of the primary providers on the market, betapharm has built up a network of suppliers characterized by high quality, speed and flexibility.

Research and development

As betapharm focuses on the marketing and distribution of generics, the Company does not undertake research and development. However, betapharm benefits from the research and development work of the Dr. Reddy's group.

Economic report

Sector-related framework conditions

The pharmaceuticals market is particularly competitive. Firstly, there is a strong trend for consolidation and displacement: More and more smaller providers are being taken over by large groups. Thus, the ten leading pharmaceutical manufacturers account for some 40% of sales on the German market. Secondly, originally specialized market operators such as developers, suppliers of active ingredients and contract manufacturers are increasingly acting as competitors to generics suppliers.

The pharmaceutical industry is subject to the statutory and regulatory framework conditions in the public health system. Legislators are countering rising healthcare expenditure with a range of complex control mechanisms. Discount agreements between statutory health insurance funds and drug manufacturers help achieve savings in the provision of medication to the population. This involves pharmaceutical companies granting discounts to health insurance funds for their products. In return, when handling a prescription, pharmacists are generally obliged to dispense a product with the same active ingredient for which a discount agreement of this type has been concluded. This leads to massive price competition: for generics in particular, the prices for many products with the same active ingredient are converging.

Business performance: earnings, net worth and financial position

Earnings position

Sales revenues in the fiscal year ending March 31, 2017 stood at EUR 116.6 million, 12.9% down on the previous year. The main reason for this was the decline in foreign business, whereas domestic business was relatively stable. This trend is likely to continue in the future.

betapharm generated profit before profit transfer of EUR 47.1 million. This is a decrease of EUR 24.4 million compared to the previous year. Foreign business is almost exclusively responsible for this. While the level of business here was high, sales and profits have fallen significantly. The gradually flattening product life cycle for a key drug on the foreign market and increasing competition had a stronger impact than anticipated. In contrast, sales revenues and profits for domestic business remained practically constant, as predicted the previous year.

In addition to lower sales revenues, scheduled depreciations, which rose by EUR 8.2 million, also weighed on profits. Payment for a marketing authorization acquired in previous years became due at the end of the 2015/16 fiscal year. This will have an impact on results for the next three years.

betapharm is a wholly-owned subsidiary of Reddy Holding GmbH, with which a profit transfer agreement is in place. This agreement requires betapharm to transfer its entire profit to Reddy Holding GmbH. In return, Reddy Holding GmbH is obliged to compensate any net loss incurred.

Net worth

Additions to fixed assets were moderate in the past fiscal year after major investments in previous years. There were significant increases in current assets. The expanded product portfolio and rising delivery capability entailed an increase in merchandise. Extended payment targets and short-term reductions in calls on receivables due from affiliated companies led to higher receivables.

Increasing discounts to health insurance funds and a larger volume of tenders led to higher provisions with respect to health insurance funds.

Financial position

betapharm generates high liquidity from operational business, which is transferred to Reddy Holding GmbH under the profit transfer agreement. Reddy Holding GmbH substantially controls the financial stability of betapharm through the repayment timing of this payment obligation. At EUR 1.0 million, betapharm's equity capital lies below the fixed assets tied up in the Company long-term, which amount to EUR 28.2 million. In the past fiscal year, the Company met its payment obligations to its non-group business partners at all times.

Non-financial key performance indicators

betapharm supports beta Institut gemeinnützige GmbH, which operates a search engine for social queries in healthcare under www.betanet.de. Interested and affected parties can research social security legislation and assistance, disease-specific psychosocial information and important addresses for self-help groups, trade associations and counseling services free of charge.

Opportunities and risk report

In its business dealings, betapharm endeavors to minimize risks and make use of opportunities.

Regulatory risks and opportunities

Amendments to existing regulations and the introduction of new regulations in public healthcare can affect betapharm's business operations. In principle, each time an original product patent expires, this gives betapharm considerable opportunities as a generics provider. Regulations relating to active pharmaceutical ingredients or to product distribution can have a negative impact. The same applies to regulations that strengthen the buyer power of individual customer segments. These include discount agreements with health insurance funds and hospitals, substitution requirements for pharmacists or bonus-malus regulations for physicians relating to prescription volumes.

Opportunities and risks in procurement

As a company of a pharmaceutical group with worldwide operations domiciled in India, betapharm benefits from outstanding cost structures in production and from its access to new developments.

In many aspects of its business, particularly in new launches, betapharm relies on third parties with regard to the timely delivery of active ingredients, specific raw materials, equipment, formulation or packaging services and maintenance services. In some (rare) cases, this involves a single source of supply and hence a certain dependence. To ensure constant supplies of goods and services at the right time and in line with the required specifications, betapharm actively manages the relationships with these business partners and regularly conducts quality audits.

Opportunities and risks in delivery capability

Nevertheless, events beyond the control of betapharm can mean that deliveries are not made on time, are only made partially or are not made at all. In such cases, betapharm could be temporarily unable to ensure the delivery of sufficient amounts of finished products. This would adversely affect the Company's business and operating results. Lastly, discount agreements are generally linked to the ability to deliver sufficient capacity and entail contractual penalties if these cannot be met. To counter the risk of contractual penalties, betapharm participates in discount agreements on a selective basis only. If the Company wins a discount agreement, a risk management system ensures that goods are supplied on time. To do this, betapharm retains buffer stocks of key products, for example. The Company can also access these buffer stocks to avail of the opportunity to make extra sales in case competitor companies encounter delivery problems. In the rare event that only insufficient quantities remain in stock, betapharm provides information regarding this to the health insurance funds. Wholesalers are also updated as to when goods will become available once again. This transparency and the close contact with customers ensures that the best-possible service is provided to patients and that betapharm will continue to be seen as a reliable partner by market operators.

Opportunities and risks in terms of ability to innovate

betapharm's success depends among other things on its ability to introduce new generics steadily and swiftly. This means continuing in the future to obtain patents, to protect trade secrets, intellectual property rights and other confidential information and not to infringe the intellectual property rights of others in its business dealings. The risk of patent infringement is very high in view of the intense competition in the generics sector. Patent-related legal proceedings regarding the manufacture, application and sale of products are part of the everyday business of pharmaceutical companies. The costs of such legal proceedings, the obstruction of business operations and possible compensation claims that are liable to result could significantly impair business as well as operating results, the financial position and the outflow of funds.

betapharm also relies on unpatented in-house know-how, trade secrets and ongoing technical innovation aimed at protecting the Company. It has set up systems and practices on information security to this effect. It has also concluded non-disclosure agreements with licensees, suppliers, employees and consultants. It is conceivable that these agreements could be breached and that the Company may not be able to remedy this adequately. There could be legal disputes on intellectual property rights or on the applicability of non-disclosure agreements. Furthermore, technology developed by betapharm could be disclosed in another manner or could be developed independently by competitors.

Currency risks and opportunities

betapharm invoices sales revenues with the USA in US dollars. This results in exchange rate effects for the Company.

In sum, betapharm is reluctant to take risks and avails of business opportunities where it can do so at low risk in this highly regulated market. This strategy aims to ensure solid and healthy growth for the Company. The risks presented can be regarded as controllable. No risks have been identified that could endanger the Company's ability to continue as a going concern in the foreseeable future.

Forecast

According to an estimate by QuintilesIMS, the worldwide pharmaceuticals market is set to experience annual growth of between four and seven percent up to 2020. For the German market, the information service provider predicts growth of between two and five percent.

The market is characterized by intensifying competition. Moreover, health insurance funds are increasingly endeavoring to conclude discount agreements. This leads to new opportunities for generic providers, including on smaller markets. Already in the current year, betapharm has taken part selectively but increasingly in tenders for discount agreements. The strategic considerations of the corporate group were taken into account here.

The immense pressure placed on margins by discount agreements makes it increasingly important to identify and open up business areas that are not connected with tenders. This requires extensive patent research and will be the focal point in the coming years.

betapharm will continue to pursue its strategy. Accordingly, domestic business in the 2017/18 fiscal year will benefit from individual product launches, while foreign business – as in the past year – will be affected from the gradually flattening product life cycle for a key drug on the foreign market. Management expects sales to fall by a high single-digit percentage in the 2017/18 fiscal year. As a result, profit before profit transfer will remain clearly positive but substantially below last year’s figure.

The forward-looking nature of all future-related statements could mean that actual results differ from the developments expected.

April 28, 2017

The Management Board of betapharm Arzneimittel GmbH

Economic fundamentals

betapharm Arzneimittel GmbH is a subsidiary of Reddy Holding GmbH with its head office in Augsburg. The sole shareholder of Reddy Holding GmbH is Dr. Reddy's Laboratories SA with head office in Basel, which in turn is owned by Dr. Reddy's Laboratories Limited, Hyderabad, India.

The Company's business operations include the distribution of pharmaceutical products manufactured by third parties under contract. Most of the products distributed are generics. Generics are pharmaceutical products brought onto the market once the patent protection of the initial supplier expires. The Company sells pharmaceutical products both through wholesalers and via pharmacies.

The Company does not undertake its own research and development into new products. betapharm Arzneimittel GmbH undertakes business development with the aim of acquiring production and distribution rights for medication with patents that have expired or are set to expire in the foreseeable future.

Key agreements

The following agreements have been concluded by betapharm Arzneimittel GmbH:

Discount agreements with health insurance funds

In the 2005 fiscal year, discount agreements pursuant to section 130a, para. 8 of the German Social Security Code, Book V (SGB V) were drawn up with various health insurance funds for the first time. In introducing the Health Care Modernization Act (GMG), the legislators gave health insurance funds and pharmaceutical companies the opportunity for the first time to agree discounts. The agreements relate to discounts on all prescribed Company products that are payable by the relevant health insurance fund.

Since the Act to Strengthen Competition in Statutory Health Insurance, most of these discount agreements bind members of the relevant health insurance fund to one particular drug manufacturer for prescribed products, unless the prescription issued expressly excludes changing manufacturer (aut idem or like-for-like substitution). The discount agreements are regularly put out to tender.

NextPharma

In November 2005 an agreement was concluded with NextPharma GmbH (formerly Pharbil GmbH), Göttingen, in relation to the commissioning, warehousing and preparation of product shipment with effect from November 1, 2005. The initial term was 38 months. The term is automatically extended for another 24 months unless either party objects to such extension in writing with twelve months' notice.

Property-leasing agreement

The Company as lessee has had a property leasing agreement with TACET Grundstücks-Vermietungsgesellschaft mbH & Co. betapharm KG, Düsseldorf (TACET), the lessor, since January 1, 2001. The leased property is the administrative building in Augsburg used by the Company for its business operations. The contractual basic rental period is 22.5 years.

In connection with the leasing agreement between the Company and TACET, an option contract has also been concluded which entitles the Company to conclude a purchase agreement for the rented property when the basic rental period expires on July 1, 2023.

The Company has in turn concluded rental agreements with affiliated companies for individual areas in this building.

Control and profit transfer agreement

On March 26, 2014, the Company concluded a control and profit transfer agreement with Reddy Holding GmbH, its controlling company. The shareholders' meeting approved this agreement in a resolution dated March 28, 2014.

Company fundamentals

Formation	December 21, 1992
Company name	betapharm Arzneimittel GmbH
Head office	Augsburg
Articles of association	Version of December 21, 1992, last amended by shareholders' resolution dated November 14, 2006
Commercial register	Augsburg District Court, HR B 13268
Purpose	Distribution of drugs and other pharmaceutical products manufactured by third parties under contract under the "betapharm" trademark.
Fiscal year	April 1 to March 31 of the following year
Capital stock	EUR 1,022,583.76
Capital structure	Reddy Holding GmbH, Augsburg, holds all shares in betapharm Arzneimittel GmbH.
Previous year's financial statements	At the shareholders' meeting of October 5, 2016 (1) the annual financial statements as at March 31, 2016 and the management report prepared by the Management Board, audited and given an unqualified audit opinion by us, were presented and the annual financial statements were adopted; (2) the Management Board was discharged from responsibility for the fiscal year from April 1, 2015 to March 31, 2016.
Company size	Under section 267, para. 3 HGB, the Company is classified as a large corporation.
Company agreements	Control and profit transfer agreement with Reddy Holding GmbH, Augsburg dated March 26, 2014.
Affiliated companies	Dr. Reddy's Laboratories Limited, Hyderabad, India (the group parent company) and all affiliated companies as defined in section 271, para. 2 HGB.

Managing directors	- Dr. Clemens Johannes Troche - Mr. Abhijit Mukherjee, Hyderabad, India If only one managing director is appointed, he or she shall represent the company alone. If more than one managing director is appointed, the Company is jointly represented by two managing directors or by one managing director and an authorized signatory. By shareholders' resolution, managing directors may be given individual powers of representation and/or be exempted from the restrictions set out in section 181 of the German Civil Code (BGB) generally or in individual
Fiscal relations	The last external tax audit was completed in the 2013/14 fiscal year; it covered the fiscal years 2005 to 2009. As at the audit date, there were no other audit orders. The Company is registered at the Augsburg city tax office under tax number 103/122/30009. The controlling company is registered at the same tax office under tax number 103/116/32200. Since April 1, 2004 fiscal unity exists with Reddy Holding GmbH, Augsburg regarding income, trade and corporate income tax consolidation.

Annex 4

General Conditions of Contract

General Conditions of Contract

for

Auditors and Accounting Companies dated January 1, 2017

1. Scope

(1) The Conditions of Contract apply to agreements between auditors or accounting companies (hereinafter collectively referred to as "auditors") and their clients relating to audits, tax advice, consultations on economic affairs and other engagements, unless otherwise expressly agreed in writing or prescribed by law.

(2) Third parties may only derive claims from the agreement between the auditors and the client if this is expressly agreed or otherwise provided for in the statutory regulations. In respect of such claims, these Conditions of Contract also apply to such third parties.

2. Scope and execution of contract

(1) The subject of the contract is the service agreed rather than any specific economic success. The contract shall be executed in accordance with the principles of proper professional conduct. The auditors shall not take over any management tasks as part of their services. The auditors are not responsible for the use or implementation of the results of their services. The auditors are entitled to avail of the services of experts to execute the contract.

(2) The application of foreign law requires express written agreement – except for business checks.

(3) If the material or legal situation changes after the final professional statement has been issued, the auditors are not required to draw the client's attention to such changes or to the consequences thereof.

3. Client's duty to cooperate

(1) The client must ensure that the auditors are given all documentation and other information necessary to execute the contract in good time and made aware of all procedures and circumstances that could have a material impact on the execution of the contract. The same applies for documentation and other information, procedures and circumstances that come to light only while the auditors are carrying out their activities. The client shall put the auditors in touch with the appropriate people.

(2) At the auditors' request, the client must confirm in a written statement drafted by the auditors that the documentation and records submitted and the information and explanations provided are complete.

4. Safeguarding independence

(1) The client must refrain from doing anything that could jeopardize the independence of the auditors' employees. This applies for the duration of the contractual relationship and in particular to offers of employment and offers to undertake engagements on their own account.

(2) If the execution of the contract adversely affects the auditors' independence, their affiliated companies, their network companies or other associated companies to which the independence provisions apply to the same extent as to the auditors in other contractual relations, the auditors are entitled to terminate the contract on an exceptional basis.

5. Reporting and verbal information

Insofar as the auditors present results in writing in the course of executing the contract, only this written description is decisive. Drafts of written descriptions are not binding. Unless otherwise agreed, verbal statements and information provided by the auditors are only binding if confirmed in writing. Any statements and information provided by the auditors outside the scope of the contract assigned are always non-binding.

6. Disclosure of professional statements made by the auditors

(1) The disclosure of professional statements made by the auditors (work products or extracts from work products – whether the draft or final version) or information on the auditors' activity on behalf of the client requires the auditors' written consent unless the client is obliged to make such disclosures or provide such information by law or administrative order.

(2) Use of the auditors' professional statements and information on the auditors' activities on behalf of the client for commercial purposes is not permitted.

7. Rectification of defects

(1) In the event of any defects, the client is entitled to require the auditors to rectify these. It may only reduce the fee or withdraw from the agreement if the auditors fail, neglect, unjustifiably refuse or are unable to rectify the defect; if the order was not placed by a consumer, the client may only withdraw from the agreement due to defect if the service provided is of no interest to it because the auditors failed, neglected, unjustifiably refused or were unable to rectify the defect. Point 9 also applies in respect of any compensation claims.

(2) The claim for rectification of defects must be made immediately by the client in writing. Claims pursuant to the first paragraph not arising from intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

(3) Obvious inaccuracies such as typing errors, miscalculations and formal defects included in a professional statement (report, expert opinion and the like) by the auditors may at all times be corrected by the auditors including with effect against third parties. Inaccuracies that could put into question the results contained in the auditors' professional statement entitle the auditors to withdraw such statements, including with effect against third parties. In the cases noted the auditors should first hear the client, if possible.

8. Duty of confidentiality vis-à-vis third parties, data protection

(1) Under the provisions of the law (section 323, para. 1 of the German Commercial Code [HGB], section 43 of the Auditors' Code [WPO], section 203 of the German Penal Code [StGB]), the auditors are obliged to treat as confidential all facts and circumstances entrusted to them or of which they become aware in the course of their professional activities, unless the client releases them from this obligation.

(2) The auditors shall observe the national and European data protection regulations when processing personal data.

9. Liability

(1) The statutory limitations of liability, particularly the liability limitation under section 323, para. 2 HGB apply to legally prescribed auditors' services, particularly audits.

(2) If no statutory liability limitation applies and there is no liability limitation under a specific contract, the auditors' liability for compensation claims of all types, with the exception of damages arising from injury to life, body or health, and damages substantiating the manufacturer's obligation to indemnify under section 1 of the Product Liability Act (ProdHaftG), is limited to €4 million in cases of gross negligence under section 54a, para. 1(2) WPO.

(3) The auditors may also assert pleas and defenses arising from the contractual relationship with the client against third parties.

(4) If several claimants derive claims relating to negligent breach of duty by the auditors from the contractual relationship with the auditors, the maximum amount mentioned in para. 2 shall apply to the relevant claims of all claimants.

(5) A single case of damage as defined in para. 2 is also defined as the same damage caused by multiple breaches of duty. The single case of damage includes all consequences of a breach of duty regardless of whether damages occurred in one or more consecutive years. In this respect, repeated acts or omissions based on the same or a similar error shall be deemed a single breach of duty if the matters concerned are legally or commercially related. In this case, the maximum claim that can be asserted against the auditors is €5 million. The limitation to five times the minimum amount insured does not apply to compulsory audits prescribed by law.

(6) A claim for damages shall lapse if legal action is not taken within six months subsequent to the written rejection of the indemnification and the client was informed of this consequence. This does not apply to claims for compensation attributable to intentional conduct or to culpable injury to life, body or health and to damages substantiating the manufacturer's obligation to indemnify under section 1 ProdHaftG. The right to assert the defense of limitation remains unaffected.

10. Supplementary provisions for audit assignments

(1) If the client subsequently changes the financial statements or management report audited by the auditors and given an audit opinion, it may not continue to use this audit opinion.

If the auditors have not issued an audit opinion, a reference to the audit conducted by the auditors in the management report or in any other place intended for the general public is permitted only with written consent of the auditors and using the wording authorized by them.

(2) If the auditors revoke the audit opinion, it may no longer be used. If the client has already used the audit opinion, it must announce its revocation at the auditors' request.

(3) The client is entitled to five copies of the report. Additional copies will be invoiced separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on individual tax issues as well as when providing continuous tax advice, the auditors are entitled to assume that the facts provided by the client – especially numerical disclosures – are accurate and complete. This also applies to bookkeeping engagements. However, they must inform the client of any inaccuracies they identify.

(2) The tax consultancy engagement does not include actions required to meet deadlines unless the auditors have explicitly taken on this task. In this case, the client must provide the auditors with all key documentation required to meet deadlines, in particular tax assessment notices in good time to ensure that they have sufficient time to process the information.

(3) Unless otherwise agreed in writing, the current tax advice includes the following activities occurring during the contract term:

a) preparing annual tax returns for income tax, corporate income tax and trade tax, as well as net worth tax returns based on the annual financial statements and other statements and information required for tax purposes to be submitted by the client

b) checking tax assessment notices in relation to the taxes mentioned under a)

c) negotiating with the financial authorities in connection with the tax returns and notices mentioned under a) and b)

d) participating in external tax audits and assessing the results of tax audits with respect to the taxes mentioned under a)

e) participating in appeals and complaint procedures with respect to the taxes mentioned under a).

In performing the above-mentioned tasks, the auditors shall take account of published case law and administrative opinions.

(4) If the auditors receive a flat fee for ongoing tax advice, the activities mentioned under para. 3(d) and (e) shall be charged separately unless otherwise agreed.

(5) Where the auditors are also tax advisers and where the Ordinance on Remuneration for Tax Advisers (Steuerberatervergütungsverordnung) applies when assessing the remuneration, a higher or lower amount than that stipulated by law may be agreed in writing.

(6) The processing of specific individual issues relating to income tax, trade tax, assessed valuation and net worth tax as well as the processing of all matters relating to sales tax, payroll tax, other taxes and duties shall be done on the basis of a specific contract. This also applies to

a) processing non-recurring matters pertaining to tax, e.g. inheritance tax, capital transfer tax, land transfer tax,

b) providing cooperation and representation in financial and administrative court proceedings and in penal fiscal proceedings,

c) providing consultation and expert opinions in matters pertaining to the restructuring, capital increase and decrease, and reorganization of a company, entry and retirement of a shareholder, sale, liquidation and the like, and

d) providing support in the fulfillment of publication and documentation obligations.

(7) Where the preparation of the annual sales tax return is undertaken as an additional activity, this does not include checking any special accounting prerequisites or ascertaining whether all potential legal sales tax reductions have been claimed. No liability is accepted regarding the completeness of the documentation submitted in order to receive tax deductions.

12. Electronic communication

Communication between the auditors and the client may also take place via e-mail. If the client does not wish to use e-mail communication or imposes special security requirements such as e-mail encryption, the client shall inform the auditors accordingly in writing.

13. Remuneration

(1) As well as their claim for fees or charges, the auditors are also entitled to reimbursement of their expenses; sales tax shall be charged in addition. They may request reasonable advance payments on remuneration and reimbursement and make the provision of their services dependent on full satisfaction of their requirements. Multiple clients awarding engagements are jointly and severally liable.

(2) If the client is not a consumer, an offset against claims of the auditors for remuneration and reimbursement is permitted only with undisputed claims or claims established with legal effect.

14. Dispute resolution

The auditors are not willing to take part in dispute resolution procedures before a consumer arbitration board as defined in section 2 of the Consumer Dispute Resolution Act (Verbraucherstreitbeilegungsgesetz).

15. Applicable law

German law shall apply exclusively to the contract, its execution and any claims arising therefrom.

Board's Report

Dear Members,

Your Directors present the 27th Board's Report of the Company for the year ended 31 March 2017.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2016-17 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2017	31 March 2016
Profit/(Loss) for the period after taxation	(12)	(11)
Balance brought forward	(188)	(177)
Balance carried forward to Balance Sheet	(200)	(188)

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 2017.

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

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

Number of Board meetings

The Company's Board met four times during the year: 10 May 2016, 25 July 2016, 21 October 2016 and 2 February 2017.

Board of Directors

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

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 27th 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 2017-18 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

Date: May 10, 2017
Place: Hyderabad

Saumen Chakraborty
Director

Venkata Narasimham Mannam
Director

Annexure- I

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 2.5 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

Venkata Narasimham Mannam
Director

ANNEXURE II

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2017
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

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

II. PRINCIPAL BUSINESS 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	134,513	134,513	100	0	134,513	134,513	100	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	0	134,513	134,513	100	0	134,513	134,513	100	0
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	0	0	0	0	0	0	0	0	0

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

(*) Includes 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):	No Change			
At the End of the year	134,513	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)	01.04.2016	1	0	0	0	1	0
		31.03.2017	1	0	0	0	1	0
2	Dr. S Chandrasekhar (Director)	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
3	Mr. Venkatanarasimham Mannam (Director)	01.04.2016	1	0	0	0	1	0
		31.03.2017	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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 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)
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year (March 31, 2017)				
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.

For and on behalf of the Board of Directors

Date: May 10, 2017
Place: Hyderabad

Saumen Chakraborty
Director

Venkata Narasimham Mannam
Director

A. Ramachandra Rao & Co.
Chartered Accountants

1st Floor, 3-6-369/A/11,
Street No 1, Himayat Nagar,
Hyderabad-500 029.

Tel. : 27633677
Fax : 27639746
E-mail : arrandco@gmail.com

To
Members
Cheminor Investments Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **Cheminor Investments Limited, which** comprise the Balance Sheet as at 31stMarch, 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone 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 the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

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 andprudent; 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 standalone Ind AS 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 standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, theaccounting 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 of the standalone Ind AS financial statements 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 standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS 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 standalone Ind AS 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 the 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 standalone Ind AS 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 standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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 including the Ind AS, of the financial position of the Company as at 31st March, 2017, and its financial performance including other comprehensive income, its cash flows and the changes in equity 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") issued by the Central Government interms of Section 143(11) of the Act, we give in "Annexure A"a statement on the matters specified in paragraphs 3 and 4of the Order.

2. As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the informationand explanations which to the best of our knowledgeand belief were necessary for the purposes of ouraudit.

b) In our opinion, proper books of account as requiredby law have been kept by the Company so far as itappears from our examination of those books

c) The Balance Sheet, the Statement of Profit andLoss, the Cash Flow Statement and Statement ofChanges in Equity dealt with by this Report are inagreement with the books of account

d) In our opinion, the aforesaid standalone Ind ASfinancial statements comply with the IndianAccounting Standards prescribed under section 133of the Act.

e) On the basis of the written representations receivedfrom the directors as on 31st March 2017 taken onrecord by the Board of Directors, none of thedirectors is disqualified as on 31st March 2017 frombeing appointed as a director in terms of Section164(2) of the Act.

f) With respect to the adequacy of the internal financialcontrols over financial reporting of the Company andthe operating effectiveness of such controls, refer toour separate Report in "Annexure B".

g) With respect to the other matters to be included inthe Auditor's Report in accordance with Rule 11 ofthe Companies (Audit and Auditors) Rules, 2014, inour opinion and to the best of our information andaccording to the explanations given to us:

i. TheCompany does not have any pending litigationswhich would impact its financial position

ii. The Company did not have anylong-term contracts including derivativecontracts for which there were any materialforeseeable losses.

iii. There has been no delay in transferringamounts, required to be transferred, to theInvestor Education and Protection Fund.

iv. The Company has made requisite disclosures in its financial statements as it holdings as well as dealings in Specified Bank Notes during the period 08th November 2016 to 30th December 2016 and such disclosures are in accordance with the books of Accounts maintained by the Company.

For M/s A Ramachandra Rao & Co
Chartered Accountants
Firm Regn No. ICAI 002857S

A. Ramachandra Rao & Co.
HYDERABAD
ICAI FRN.002857S
Chartered Accountants

P S R V V Surya Rao
Partner
Membership No. 202367

Hyderabad
Date:10.05.2017

ANNEXURE TO THE AUDITORS' REPORT
(Cheminor Investments Limited)
(Of even date referred to in Para 1 of our Report)

(i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

b) All the Fixed Assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets and, to the best of our knowledge, no material discrepancies were noticed on such verification;

c) Based on the information given to us, the title deeds of the properties are held in the name of the Company.

(ii) As explained and information given to us, the company does not have any inventory and hence para 3(ii) of the Order is not applicable to the Company for the period under audit.

(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) 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 not acquired any security during the year and hence, in our opinion, the clause 3(iv) 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) Based on the explanations given to us, the Company is not required to maintain cost Records under Section 148 of the Companies Act, 2013 and hence the clause 3(vi) of the order is not applicable to the Company for the period under audit.

(vii) (a) According to the records of the Company, the Company is regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities;

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Duty of Customs, Duty of Excise, Value added tax and other material statutory dues were in arrears as at 31 March 2017 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 of VAT, income tax, customs duty, excise duty, 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 / due to Debenture Holders and hence clause 3(viii) of the Order is not applicable to the Company for the period under audit.

A. Ramachandra Rao & Co. HYDERABAD ICAI FRN.002397S Chartered Accountants

(ix) According to the information and explanations given to us, the Company has not raised any monies by way of IPO / further public offer not has taken any term loans and hence clause 3(ix) of the Order is not applicable to the Company for the period under audit.

(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) In our opinion, the provisions of section 197 read with Schedule V to the Companies Act,2013 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 period under audit.

(xii) Based on the explanations given to us, in our opinion, the Company is not a Nidhi Company as per section 406 of the Companies Act,2013 and hence clause 3(xii) is not applicable to the Company.

(xiii) Based on the information provided and explanation given to us, in our opinion, 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 of shares during the year and during the year under review and hence, clause 3(xiv) 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 hence, clause 3(xv) 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 hence, clause (xvi) is not applicable to this Company.

Place : Hyderabad
Date: 10.05.2017

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI Firm Regn No. 002857S

P S R V V Surya Rao
Partner
Membership No.202367

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF 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 **Cheminor Investments Limited**, as of March 31, 2017 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;

A. Ramachandra Rao & Co. HYDERABAD Chartered Accountants

(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, 2017, 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.

Place : Hyderabad
Date: 10.05.2017

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI Firm Regn No. 002857S

P S R V V Surya Rao
Partner
Membership No.202367

Cheminor Investments Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	1,209	1,209	1,209
Total non current assets		**1,209**	**1,209**	**1,209**
Current assets				
Cash and cash equivalents	2.2	13	13	13
Total current assets		**13**	**13**	**13**
Total assets		**1,222**	**1,222**	**1,222**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.3	1,345	1,345	1,345
Other equity				
Retained earnings		(200)	(188)	(177)
Total equity	2.4	**1,145**	**1,157**	**1,168**
Non current liabilities				
Financial Liabilities				
Borrowings	2.5	7	7	7
Other financial liabilities	2.6	1	1	1
		8	**8**	**8**
Current liabilities				
Financial Liabilities				
Other current financial liabilities	2.7	69	57	46
Total Liabilities		**69**	**57**	**46**
Total equity and liabilities		**1,222**	**1,222**	**1,222**

Significant accounting policies & Notes to Accounts 1

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

Venkatanarasimham Mannam
Director

Place: Hyderabad
Date: 10 May 2017

Cheminor 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 2017	For the year ended 31 March 2016
Continuing operations			
Total income		-	-
Expenses			
Other expenses	2.8	12	11
Total expense		**12**	**11**
Profit / (Loss) before tax		(12)	(11)
Income tax expense		-	-
Profit / (Loss) for the year		**(12)**	**(11)**
Earnings per share:			
Basic - Par Value Rs. 10/- Share		(0.09)	(0.08)
Diluted - Par Value Rs. 10/- Share		(0.09)	(0.08)
Number of shares used in computing earnings per share		1,34,513	1,34,513
Basic		1,34,513	1,34,513
Diluted			
Significant accounting policies	1		

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

A. Ramachandra Rao & Co. HYDERABAD Chartered Accountants

Place: Hyderabad
Date: 10 May 2017

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

Venkatanarasimham Mannam
Director

(MSK)

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 2017	For the year ended 31 March 2016
Cash flow from operating activities		
Profit / (Loss) before tax from continuing operations	(12)	(11)
Operating cash flows before working capital changes	**(12)**	**(11)**
Working capital adjustments:		
Increase in trade and other payables	12	11
	-	-
Income tax paid	-	-
Net cash flows from/(used in) operating activities	-	-
Net cash flows from/(used in) investing activities	-	-
Net cash flows from/ (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	13	13
Cash and cash equivalents at the end of the year	13	13

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

Place: Hyderabad
Date: 10 May 2017

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

Venkatanarasimham Mannam
Director

(MSU)

Note 1 : Significant Accounting Policies & Notes to Accounts :

First Time Adoption of Ind AS:

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS).

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.11 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

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

Liabilities:

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

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

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

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other (income)/expense, net" in the consolidated income statement.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in the consolidated income statement as incurred.

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognized in the consolidated income statement on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	**3 - 15 years**
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	**4 - 10 years**
Vehicles	4 - 5 years
Computer equipment	**3 - 5 years**

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognized only when receipt of such reimbursements is virtually certain. Such reimbursements are recognized as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.1 Going Concern
The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Segment Reporting
In terms of Ind AS 108 relating to "segment reporting", the company operates only in one segment and hence the requirements under the standard are not applicable to the company.

1.3 Related Party Transactions- IndAS24
The company has the following amounts due to related parties:

Name of Party	Nature of relationship	Nature of transaction	Closing Balance as on 31.03.2017	Closing Balance as on 31.03.2016
Dr. Reddy's Laboratories Limited	Holding company	Borrowings	7	7

Transaction with related party : Nil

1.4 Taxation - Ind AS 12

a. Current Year Taxation:
The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Minimum Alternate Taxation (MAT) :
The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

C. Deferred Tax:
The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.5 Earnings Per Share : Ind AS 33
The computation of Earnings Per Share is set out below:

Particulars	For the Year Ended 31st March 2017	For the Year Ended 31st March 2016
Earnings / (Loss) for the year	(12)	(11)
Weighted average number of equity shares		
outstanding during the year - Basic	1,34,513	1,34,513
outstanding during the year - Diluted	1,34,513	1,34,513
Earnings Per Share:		
Basic (face value of Rs.10/-)	(0.09)	(0.08)
Diluted (face value of Rs.10/-)	(0.09)	(0.08)

1.6 Details of dues to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Act, 2006
The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2017 has been made in the financial statements based on information received and available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the aforesaid Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act. The particulars required to be disclosed are Nil.

1.7 Impairment of Assets
In the opinion of the management, there is no impairment of its assets as on 31 March 2017 requiring recognition in terms of Ind AS 36 prescribed by The Institute of Chartered Accountants of India (ICAI) .

Cheminor Investments Limited

Note 1: Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.8 Provision for employee benefits

Ind AS 19 is not applicable to the company during the year as there are no employees .

1.9 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallization of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallize on the Company and may not have any material impact on the revenue.

1.10 Previous Period Figures

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

1.11 Principle Adjustments made with impact of IndAs adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	31-Mar-16			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
Equity	1,346	(1)	1,345	1,346	(1)	1,345
Redeemable Preference Shares	-	1	1	-	1	1

1.12 : Note on Specified Bank Notes (SBN) Transactions

Particulars	SBNs	Other denomination Notes	Total
Closing Cash in hand on 8.11.2016	-	-	-
(+) Permitted Receipts	-	-	-
(-) Permitted Payments	-	-	-
(-) Amounts deposited in Bank	-	-	-
Closing Cash in hand on 30.12.2016	-	-	-

Cheminor Investments Limited

Statement of Changes in Equity

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

2.3a. Equity Share Capital:	**Note**	**As at 31 March 2017**	**As at 31 March 2016**	**As at 01 April 2015**
134513 Equity shares of INR 10/- each subscribed and fully paid-up		1,345	1,345	1,345
		1,345	1,345	1,345
134513 Equity shares of INR 10/- each subscribed and fully paid-up		1,345	1,345	1,345

Cheminor Investments Limited

Notes to Financial Statements

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

Note 2: Notes to financial statements

2.1: Fixed Assets

Description	Gross block				Accumulated depreciation / amortisation / impairment					Net block	
	As at 1 April 2016	Additions	Deletions	As at 31 March 2017	As at 1 April 2016	For the year	Impairment for the year	Deletions	As at 31 March 2017	As at 31 March 2017	As at 31 March 2016
Land	1,209	-	-	1,209	-	-	-	-	-	1,209	1,209
Total tangible assets (A)	**1,209**	-	-	**1,209**	-	-	-	-	-	**1,209**	**1,209**
Previuos Year	1,209	-	-	1,209	-	-	-	-	-	1,209	1,209

Cheminor Investments Limited

Statement of Changes in Equity

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

2.4 Total equity

For the year ended 31 March, 2017

Particulars	Share Capital		Reserves and Surplus						Items of OCI			Total Equity
	Shares	Amount	Share Premium	Share based payment reserve	Capital Reserve	Capital Redemption reserve	General reserve	Retained Earnings	Hedge reserve	Fair value reserve	Actuarial gains / (losses)	
Balance as of 1 April 2015	1,34,513	1,345	-	-	-	-	-	(177)	-	-		**1,168**
Profit for the period								(11)				(11)
Balance as of 31 March 2016	1,34,513	1,345	-	-	-	-	-	(188)	-	-	-	**1,157**
Profit for the period								(12)				(12)
Balance as of 31 March 2017	1,34,513	1,345	-	-	-	-	-	(200)	-	-	-	**1,145**

Cheminor Investments Limited

Notes to Financial Statements

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

Note 2: Notes to financial statements (continued)

2.3 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
150,000 (previous year : 150,000) equity shares of Rs.10/- each	1,500	1,500	1,500
	1,500	1,500	1,500
Issued equity capital			
134,513 (previous year : 134,513) equity shares of Rs.10/- each fully paid up	1,345	1,345	1,345
	1,345	1,345	1,345
Subscribed and fully paid-up			
134,513 (previous year : 134,513) equity shares of Rs. 10/- each fully paid up	1,345	1,345	1,345
Add: Forfeited share capital (e)			
	1,345	1,345	1,345

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

Particulars	As at 31 March 2017		As at 31 March 2016		
	No. of equity shares	Amount	No. of equity shares		Amount
Number of shares outstanding at the beginning of the year	1,34,513	1,345	1,34,513		1,345
Shares issued during the year	-	-	-		-
Number of shares outstanding at the end of the year	1,34,513	1,345	1,34,513		1,345

(b) **Reconciliation of the Preference shares outstanding is set out below:**

Particulars	As at 31 March 2017		As at 31 March 2016		
	No. of equity shares	Amount	No. of equity shares		Amount
Number of shares outstanding at the beginning of the year	8	1.00	8		1
Shares issued during the year	-	-	-		-
Number of shares outstanding at the end of the year	8	1.00	8		1

(c) **Terms / rights attached to the equity shares**

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

(d) **Details of shareholders holding more than 5% shares in the Company**

Particulars	As at 31 March 2017		As at 31 March 2016		
	No. of equity shares held	% holding in the class	No. of equity shares held		% holding in the class
Dr. Reddy's Laboratories Limtied (including shares held by nominees)	1,34,513	100.00	1,34,513		100.00
Preference Shares					
G V Prasad	4	50.00	4		50.00
K Deepti Reddy	2	25.00	2		25.00
Saumen Chakraborty	2	25.00	2		25.00
	-	-	-		-

Cheminor Investments Limited

Notes to Financial Statements

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

Note 2: Notes to financial statements (continued)

2.2 : Cash and cash equivalent

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Balances with banks:			
- In current accounts	13	13	13
Cash on hand	-	-	-
Cash and cash equivalents	**13**	**13**	**13**

2.5 : Borrowings

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Long term borrowings from holding company*	7	7	7
Total non-current borrowings	**7**	**7**	**7**

2.6 :Other financial liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
12% redeemable preferential shares **	1	1	1
Total other financials liabilties	**1**	**1**	**1**

*** Terms / rights attached to the equity shares : The company has two class of shares consisting of equity shares having a par value of Rs 10/- per share and 12% cumulative reedemable preference shares having a par value of Rs 100/- per share. Each holder of equity shares is entitled to one vote per share.*

2.7 : Other financial liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Other current financial liabilities			
Accrued expenses	69	57	46
	69	57	46
Total other financial liabilities	**69**	**57**	**46**

2.8 : Other expenses

	For the year ended 31 March 2017	For the year ended 31 March 2016
Auditors' remuneration	12	11
	12	11

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R R V Surya Rao
Partner
ICAI Membership No. 202367

Place: Hyderabad
Date: 11 May 2017

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

Venkatanarasimham Mannam
Director

(MSL)

Independent Auditors’ Report

To the Members of **Chienna B.V.**

We have audited the accompanying financial statements of **Chienna B.V.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company’s Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor’s Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

Chienna B.V.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
ASSETS				
Current assets				
Financial assets				
Cash and cash equivalents	2.1	1,104	1,505	1,758
Other assets	2.2	428,493	434,291	367,490
Other current assets	2.3	5	1,219	1,275
Total current assets		**429,602**	**437,015**	**370,523**
Total assets		**429,602**	**437,015**	**370,523**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.4	1,405	1,405	1,405
Other equity				
Other reserves		(455,050)	(505,193)	(414,738)
Share premium		562,215	562,215	562,215
Retained earnings		(1,100,255)	(990,247)	(834,763)
Total equity		**(991,685)**	**(931,820)**	**(685,881)**
Current liabilities				
Financial Liabilities				
Other current financial liabilities	2.5	1,417,750	1,366,176	1,056,404
Other current liabilities	2.6	3,537	2,659	-
Total Liabilities		**1,421,287**	**1,368,835**	**1,056,404**
Total equity and liabilities		**429,602**	**437,015**	**370,523**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Chienna B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R.Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

Chienna B.V.
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Continuing operations			
Other Income	2.7	16,325	20,254
Total Income		**16,325**	**20,254**
Expenses			
Employee benefits expense	2.8	72,651	113,434
Finance costs	2.9	52,414	60,646
Other expenses	2.10	1,268	1,658
Total expense		**126,333**	**175,738**
Profit/(Loss) before tax		**(110,008)**	**(155,484)**
Income tax expense		-	-
Profit/(Loss) for the year		**(110,008)**	**(155,484)**
Earnings per share:			
Basic - Par value of EUR 1 per share		(5,589.83)	(7,900.61)
Diluted - Par value of EUR 1 per share		(5,589.83)	(7,900.61)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Chienna B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R.Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

Chienna B.V.
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Operating activities		
Profit before taxation	(110,008)	(155,484)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	-	-
Operating cash flows before working capital changes	**(110,008)**	**(155,484)**
Working capital adjustments:		
Other assets & liabilities,net	109,670	155,036
	(337)	**(448)**
Income tax paid	-	-
Net cash flows from operating activities	**(337)**	**(448)**
Net cash flows used in investing activities	**-**	**-**
Net cash flows from/ (used in) financing activities	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	(337)	(448)
Cash and cash equivalents at the beginning of the year	1,505	1,758
Effect of foreign exchange loss on cash and cash equivalents	(64)	195
Cash and cash equivalents at the end of the year	**1,104**	**1,505**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,104	1,505
Cash and bank balances at the end of the year	**1,104**	**1,505**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Chienna B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R.Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

Chienna B.V.

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Other Equity				Total Equity
	Shares	Amount	Other components of equity(OCI)	Share Premium	General reserve	Retained Earnings	
Balance as of 1 April 2015	**19,680**	**1,405**	**62,933**	**562,215**	**(477,671)**	**(834,763)**	**(685,881)**
Foreign currency translation differences	-	-	(90,455)	-	-	-	(90,455)
Loss for the period	-	-	-	-	-	(155,484)	(155,484)
Balance as of 31 March 2016	**19,680**	**1,405**	**(27,522)**	**562,215**	**(477,671)**	**(990,247)**	**(931,820)**
Foreign currency translation differences	-	-	50,143	-	-	-	50,143
Loss for the period	-	-	-	-	-	(110,008)	(110,008)
Balance as of 31 December 2016	**19,680**	**1,405**	**22,621**	**562,215**	**(477,671)**	**(1,100,255)**	**(991,685)**

As per our report of even date attached

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

for and on behalf of the Board of Directors of **Chienna B.V.**

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R.Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

Chienna B.V.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.4 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Chienna B.V.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Interest paid/payable to holding company or other group companies:		
Octoplus Development B.V.	26,630	28,640
Dr. Reddy's Research and development B.V. (formerly Octoplus B.V.)	25,784	32,006
Interest received from holding company and other group companies:		
Octoshare B.V.	7,033	8,722
Octoplus Technologies B.V.	9,070	11,256
Octoplus Sciences B.V.	222	276

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

Particulars	As at 31 December 2016	As at 31 March 2016
Due from holding company and other group companies(included in other current financial assets):		
Octoshare B.V.	184,599	187,093
Octoplus Technologies B.V.	238,056	241,281
Octoplus Sciences B.V.	5,838	5,917
Due to holding company and other group companies(included in other current financial liabilities):		
Octoplus development B.V.	737,016	673,654
Dr. Reddy's Research and development B.V. (formerly Octoplus B.V.)	676,769	685,913

1.3 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.4 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.5 The company, incorporated in Netherlands , is a 100% subsidiary of Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.).The entity has been merged with Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.) with effect from 1 January 2017.

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

Note 2: Notes to the financial statements

Financial Assets

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.1 : Cash and cash equivalents			
Balances with banks:			
- In current accounts	1,104	1,505	1,758
	1,104	**1,505**	**1,758**

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.2 : Other Assets			
Other assets receivable from holding company and other group companies	428,493	434,291	367,490
	428,493	**434,291**	**367,490**

Other Assets

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.3: Other current assets			
Balance with statutory agencies	5	1,125	1,275
Other assets	-	94	-
	5	**1,219**	**1,275**

Equity

2.4 : Share capital

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
90,000 shares (31 March 2016 : 90,000; 1 April 2015 : 90,000) of Euro 1 each	6,426	6,426	6,426
Issued equity capital			
19,680 shares (31 March 2016 : 19,680; 1 April 2015 : 19,680) of Euro 1 each	1,405	1,405	1,405
Subscribed and fully paid-up			
19,680 shares (31 March 2016 : 19,680; 1 April 2015 : 19,680) of Euro 1 each	1,405	1,405	1,405
	1,405	**1,405**	**1,405**

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

Particulars	As at 31 December 2016		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	Amount	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	19,680	1,405
Shares issued during the year	-	-	-	-	-	-
Number of shares outstanding at the end of the year	**19,680**	**1,405**	**19,680**	**1,405**	**19,680**	**1,405**

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

Particulars	As at 31 December 2016		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares	No.of equity shares	% of equity shares
Octoplus B.V.	19,680	100%	19,680	100%	19,680	100%

Financial Liabilities

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.5 : Other current financial liabilities			
Other liabilities payable to holding/other group companies	1,413,785	1,359,567	1,045,067
Other liabilities	3,966	6,609	11,337
	1,417,750	**1,366,176**	**1,056,404**

Other Liabilities

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.6 : Other current liabilities			
Other liabilities	3,537	2,659	-
	3,537	**2,659**	**-**

Chienna B.V.

Notes to Financial Statements

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

Note 2: Notes to the financial statements

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.7 : Other income		
Interest income	16,325	20,254
	16,325	**20,254**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.8 : Employee benefits expense		
Salaries,wages and bonus	72,651	113,434
	72,651	**113,434**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.9 : Finance costs		
Interest on long term borrowings	52,414	60,646
	52,414	**60,646**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.10 : Other expenses		
Travel and conveyance	1,247	1,632
Bank charges	18	10
Other general expenses	4	16
	1,268	**1,658**

Chirotech Technology Limited

Strategic Report, Report of the Directors and

Financial Statements

for the Year Ended 31st March 2017

Contents of the Financial Statements for the year ended 31st March 2017

Chirotech Technology Limited

Company Information
for the year ended 31st March 2017

DIRECTORS:	G.V. Prasad K.S. Reddy D A Chaplin S. Kohli V N Mannam
SECRETARY:	A Bandali
REGISTERED OFFICE:	Chirotech Technology Centre 410 Cambridge Science Park Milton Road Cambridge CB4 0PE
REGISTERED NUMBER:	02667953 (England and Wales)
AUDITORS:	cbaSadofskys Statutory Auditors Princes House Wright Street Hull East Yorkshire HU2 8HX

Chirotech Technology Limited

Strategic Report
for the year ended 31st March 2017

The directors present their strategic report for the year ended 31st March 2017.

REVIEW OF BUSINESS
The key financial highlights are as follows:

	31/3/17	31/3/16
	£	£
Turnover - United Kingdom	666,077	955,161
Turnover Growth - United Kingdom	-30.3%	59.6%
Turnover - Europe and other countries	11,726,151	11,828.361
Turnover Growth - Europe and other countries	0.9%	8.7%
Profit before tax	3,217,529	3,959,100
Profit before tax margin	26.0%	31.0%

During the current financial year, Chirotech has again recorded a profit before tax although decreased over the previous year. This is a consequence of a reduction in sales, split between the UK and other regions and an increase in cost of sales. The number of orders and the product mix has been broadly similar to previous years as has the total number of projects worked on.

There have been no significant changes in the infrastructure of the business with the number of employees remaining stable. The majority of projects have continued to be performed for Chirotech's ultimate parent company, Dr Reddy's Laboratories Limited. The revenue from these projects is a significant contributor to the turnover and profitability.

Revenue for projects from external customers has remained in line with previous years with good profitability from the particular mix of products. Sales to these customers continue to be underpinned by the expertise and experience of the Research and Development team at Chirotech.

PRINCIPAL RISKS AND UNCERTAINTIES
The company has identified the principal areas of risk that it faces as:

Financial instrument risk
The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the company's performance objectives. The objectives aim to ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Impact of pharmaceutical regulations
The business is subject to various regulations and any tightening of these could have a negative impact on earnings.

Price risk
The company provides specialist chiral chemical manufacturing and consultancy services to several pharmaceutical companies.

Foreign exchange risk
The company sells and purchases some of its products in foreign currencies. The risk is mitigated by monitoring foreign exchange rates on a daily basis and taking foreign exchange cover, if required.

Credit risk
Credit checks are carried out on all customers. Amounts outstanding for both time and credit limits are regularly monitored. The company has little experience of material bad debts in general.

Liquidity risk
Liquidity is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company manages its cash flow to ensure that sufficient liquid resources are available to meet its operating needs.

Interest rate and cash flow risk
The company had a favourable cash balance during the year and therefore does not consider that interest rates or cash flow pose a significant risk.

Chirotech Technology Limited

Strategic Report
for the year ended 31st March 2017

FUTURE DEVELOPMENTS AND STRATEGY
The primary activity of the company has been to undertake research and development work both for internal projects for its parent and for external clients. These projects are typically complex and underpinned by in-house expertise and technology. The company has continued to invest in development of new technology both through its own internal resources and through collaborations. Some of this work is supported in part by awards from InnovateUK as well as a new project supported through Horizon2020.

Following a review, it has been proposed that the entire assets of Chirotech are sold to its parent company Dr Reddy's Laboratories (EU) Limited with effect from April 1st 2017. The Directors are in agreement that this transfer is in the best interests of the company provided that certain conditions are met. All existing activities would be expected to continue under the new ownership.

ON BEHALF OF THE BOARD:

A Bandali - Secretary

10th May 2017

Chirotech Technology Limited

Report of the Directors
for the year ended 31st March 2017

The directors present their report with the financial statements of the company for the year ended 31st March 2017.

SALE OF BUSINESS
From the 1st April 2017 the company's operations have been transferred to Dr Reddys Laboratories (EU) limited.

DIVIDENDS
No dividends will be distributed for the year ended 31st March 2017.

RESEARCH AND DEVELOPMENT
The principal activity of the company is research and development of routes to manufacture active pharmaceutical ingredients, in particular complex and chiral products.

FUTURE DEVELOPMENTS
Details have been provided on the company's strategic report.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors during the year under review were:

G.V. Prasad
K.S. Reddy
D A Chaplin
S. Kohli
V N Mannam

The directors holding office at 31st March 2017 did not hold any beneficial interest in the issued share capital of the company at 1st April 2016 or 31st March 2017.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
The company's principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to raise funds and finance the company's operations.

Revenue maintenance
The company actively markets and manages its portfolio of products to focus on revenue building and maintenance which, over the life cycle of the products can contribute to the future profits of the business.

Principle risks and uncertainties
These details have been provided on the company's strategic report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, cbaSadofskys, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

A Bandali - Secretary

10th May 2017

Report of the Independent Auditors to the Members of Chirotech Technology Limited

We have audited the financial statements of Chirotech Technology Limited for the year ended 31st March 2017 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the Independent Auditors to the Members of Chirotech Technology Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Alan Brocklehurst (Senior Statutory Auditor)
for and on behalf of cbaSadofskys
Statutory Auditors
Princes House
Wright Street
Hull
East Yorkshire
HU2 8HX

11th May 2017

Income Statement
for the year ended 31st March 2017

	Notes	2017 £	2016 £
TURNOVER	3	12,392,228	12,783,522
Cost of sales		(4,533,428)	(4,046,749)
GROSS PROFIT		7,858,800	8,736,773
Distribution costs		(11,990)	(30,607)
Administrative expenses		(5,231,886)	(5,281,747)
		2,614,924	3,424,419
Other operating income		580,061	534,681
OPERATING PROFIT	5	3,194,985	3,959,100
Interest receivable and similar income	6	22,544	-
PROFIT BEFORE TAXATION		3,217,529	3,959,100
Tax on profit	7	(646,712)	(868,478)
PROFIT FOR THE FINANCIAL YEAR		2,570,817	3,090,622

The notes form part of these financial statements

Chirotech Technology Limited

Other Comprehensive Income
for the year ended 31st March 2017

	Notes	2017 £	2016 £
PROFIT FOR THE YEAR		2,570,817	3,090,622
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,570,817	3,090,622

The notes form part of these financial statements

Chirotech Technology Limited (Registered number: 02667953)

Balance Sheet
31st March 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Intangible assets	8	-	-
Tangible assets	9	1,477,102	1,395,451
		1,477,102	1,395,451
CURRENT ASSETS			
Stocks	10	46,733	150,724
Debtors	11	12,252,222	7,285,140
Cash at bank and in hand		320,431	1,465,520
		12,619,386	8,901,384
CREDITORS			
Amounts falling due within one year	12	(3,266,069)	(2,064,497)
NET CURRENT ASSETS		9,353,317	6,836,887
TOTAL ASSETS LESS CURRENT LIABILITIES		10,830,419	8,232,338
PROVISIONS FOR LIABILITIES	14	(264,704)	(237,440)
NET ASSETS		10,565,715	7,994,898
CAPITAL AND RESERVES			
Called up share capital	15	20,778,057	20,778,057
Other reserves	16	364,000	364,000
Retained earnings	16	(10,576,342)	(13,147,159)
SHAREHOLDERS' FUNDS		10,565,715	7,994,898

The financial statements were approved by the Board of Directors on 10th May 2017 and were signed on its behalf by:

D A Chaplin - Director

The notes form part of these financial statements

Chirotech Technology Limited

Statement of Changes in Equity
for the year ended 31st March 2017

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
Balance at 1st April 2015	20,778,057	(16,237,781)	364,000	4,904,276
Changes in equity				
Total comprehensive income	-	3,090,622	-	3,090,622
Balance at 31st March 2016	20,778,057	(13,147,159)	364,000	7,994,898
Changes in equity				
Total comprehensive income	-	2,570,817	-	2,570,817
Balance at 31st March 2017	20,778,057	(10,576,342)	364,000	10,565,715

The notes form part of these financial statements

1. STATUTORY INFORMATION

Chirotech Technology Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Financial reporting standard 102 - reduced disclosure exemptions
The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Turnover
Turnover is the amount derived from ordinary activities, and stated after trade discounts, other sales taxes and net of VAT.

Intangible assets
Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over their estimated useful life of nil years.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 15% on cost, and
	- between 5 and 10 years on cost
Fixtures and fittings	- over 4 years on cost
Computer equipment	- over 3 years on cost

The plant and machinery assets were reviewed on 1st May 2008 during the sale of the company to Dr. Reddy's Laboratories (EU) Limited. Assets held on this date are being written off over their estimated remaining useful life from this point.

Fixtures and fittings are being written off by the straight line method over their useful lives.

Laboratory equipment is being written off over its useful life using the straight line method. Laboratory equipment is shown as plant and machinery.

Stocks
Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition.

continued...

2. ACCOUNTING POLICIES - continued

Research and development
Expenditure in relation to research and development is written off in the year in which it is incurred. Any expenditure of a capital nature is capitalised in the balance sheet and depreciated in line with the above note on tangible fixed assets.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Patents
Patents were valued at cost as of the date at which the patent was first filed and amortised on a straight line basis over their useful economic lives.

Trade licences
Expenditure in respect of the renewal of trade licences has been charged to the profit and loss account when it has been incurred.

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2017	2016
	£	£
United Kingdom	666,077	955,161
Rest of Europe	4,223,995	4,167,750
North America	1,140,526	477,519
Asia/Pacific	6,361,630	7,183,092
	12,392,228	12,783,522

4. EMPLOYEES AND DIRECTORS

	2017	2016
	£	£
Wages and salaries	3,332,444	3,417,564

The average monthly number of employees during the year was as follows:

	2017	2016
Research and development	39	40
Operations - recharged to parent company	72	64
Sales and marketing	3	3
Administration	5	6
	119	113

continued...

4. EMPLOYEES AND DIRECTORS - continued

	2017	2016
	£	£
Directors' remuneration	-	-

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2017	2016
	£	£
Hire of plant and machinery	20,527	17,127
Depreciation - owned assets	230,339	229,987
Profit on disposal of fixed assets	(1,425)	-
Auditors' remuneration	5,000	4,000
Auditors' remuneration for non audit work	6,800	4,300
Foreign exchange differences	(94,455)	(750)

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£	£
Deposit account interest	14,294	-
Interest on group loans	8,250	-
	22,544	-

7. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2017	2016
	£	£
Current tax:		
UK corporation tax	619,448	631,038
Deferred taxation	27,264	237,440
Tax on profit	646,712	868,478

UK corporation tax was charged at 20% in 2016.

continued...

7. TAXATION - continued

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2017	2016
	£	£
Profit before tax	3,217,529	3,959,100
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2016 - 20%)	643,506	791,820
Effects of:		
Expenses not deductible for tax purposes	17,138	-
Capital allowances in excess of depreciation	(41,196)	(36,183)
Utilisation of tax losses	-	(124,599)
Deferred Taxation	27,264	237,440
Total tax charge	646,712	868,478

8. INTANGIBLE FIXED ASSETS

	Patents and licences
	£
COST	
At 1st April 2016	
and 31st March 2017	114,106
AMORTISATION	
At 1st April 2016	
and 31st March 2017	114,106
NET BOOK VALUE	
At 31st March 2017	-
At 31st March 2016	-

9. TANGIBLE FIXED ASSETS

	Improvements to property	Plant and machinery	Fixtures and fittings	Computer equipment	Totals
	£	£	£	£	£
COST					
At 1st April 2016	183,357	4,825,904	683,534	365,112	6,057,907
Additions	-	327,228	-	-	327,228
Disposals	-	(15,238)	-	(23,612)	(38,850)
At 31st March 2017	183,357	5,137,894	683,534	341,500	6,346,285
DEPRECIATION					
At 1st April 2016	183,357	3,467,054	678,416	333,629	4,662,456
Charge for year	-	218,874	1,724	9,741	230,339
Eliminated on disposal	-	-	-	(23,612)	(23,612)
At 31st March 2017	183,357	3,685,928	680,140	319,758	4,869,183
NET BOOK VALUE					
At 31st March 2017	-	1,451,966	3,394	21,742	1,477,102
At 31st March 2016	-	1,358,850	5,118	31,483	1,395,451

10. STOCKS

	2017	2016
	£	£
Raw materials	40,152	69,167
Work-in-progress	33	-
Finished goods	6,548	81,557
	46,733	150,724

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Trade debtors	845,300	1,237,131
Amounts owed by group undertakings	9,927,373	5,070,573
Other debtors	40,795	31,034
Taxation	14,247	-
VAT	127,096	49,543
Prepayments and accrued income	440,944	133,356
R&D tax credits receivable	856,467	763,503
	12,252,222	7,285,140

continued...

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Trade creditors	206,621	80,276
Amounts owed to group undertakings	210,728	238,920
Taxation	-	25,077
Social security and other taxes	-	145,637
Other creditors	217,490	-
Payment in advance	875,000	875,000
Accrued expenses	1,756,230	699,587
	3,266,069	2,064,497

13. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2017	2016
	£	£
Within one year	906,565	906,565
Between one and five years	2,568,601	2,719,695
	3,475,166	3,626,260

14. PROVISIONS FOR LIABILITIES

	2017	2016
	£	£
Deferred taxation	264,704	237,440

	Deferred tax
	£
Balance at 1st April 2016	237,440
Charge to Income Statement during year	27,264
Balance at 31st March 2017	264,704

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017	2016
			£	£
207,780,570	Ordinary	10p	20,778,057	20,778,057

continued...

16. RESERVES

	Retained earnings £	Other reserves £	Totals £
At 1st April 2016	(13,147,159)	364,000	(12,783,159)
Profit for the year	2,570,817		2,570,817
At 31st March 2017	(10,576,342)	364,000	(10,212,342)

17. ULTIMATE PARENT COMPANY

The company's immediate parent company is Dr Reddy's Laboratories (EU) Limited, a company registered in England and Wales. The group financial statements are available to the public and may be obtained from Riverview Road, Beverley, East Yorkshire, HU17 0LD .

The company's ultimate parent and controlling company is Dr Reddy's Laboratories Limited, a company incorporated in India. The group financial statements are available to the public and may be obtained from Door No 8-2-337, Road No 3, Banjara Hills, Hyderabad - 500034, India .

continued...

18. RELATED PARTY DISCLOSURES

At the balance sheet date, the company was owed amounts from the following related parties:

	31/3/17	31/3/16
	£	£
Dr Reddy's Laboratories Inc	488,345	Nil
Dr Reddy's Laboratories Limited	3,190,788	4,362,779
Dr Reddy's Laboratories SA	Nil	72,913

At the balance sheet date, the company owed amounts to the following related parties:

	31/3/17	31/3/16
	£	£
Dr Reddy's Laboratories Limited	210,728	238,920

During the year the company made sales on normal commercial terms to the following related parties:

	31/3/16	31/3/16
	£	£
Dr Reddy's Laboratories Inc	488,345	99,580
Dr Reddy's Laboratories Limited	6,286,004	6,839,276
Dr Reddy's Laboratories SA	75,525	72,913

During the year the company made management recharges to the following related parties:

	31/3/16	31/3/15
	£	£
Dr Reddy's Laboratories SA	Nil	Nil
Dr Reddy's Laboratories Limited	426,073	169,766

During the year the company made purchases on normal commercial terms from the following related parties:

	31/3/16	31/3/16
	£	£
Dr Reddy's Laboratories Limited	252,249	684,258

19. POST BALANCE SHEET EVENTS

Following a review, it has been proposed that the entire assets of Chirotech are sold to its parent company Dr Reddy's Laboratories (EU) Limited with effect from April 1st 2017. The Directors are in agreement that this transfer is in the best interests of the company provided that certain conditions are met. All existing activities would be expected to continue under the new ownership.

Chirotech Technology Limited

Trading and Profit and Loss Account
for the year ended 31st March 2017

	2017		2016	
	£	£	£	£
Sales		12,392,228		12,783,522
Cost of sales				
Materials	3,683,205		3,198,479	
Laboratory costs	604,704		604,222	
Plant repairs	210,183		208,965	
Hazardous waste	35,336		35,083	
		4,533,428		4,046,749
GROSS PROFIT		7,858,800		8,736,773
Other income				
Other income	168,439		89,836	
R&D tax credits receivable	411,622		444,845	
Deposit account interest	14,294		-	
Interest on group loans	8,250		-	
		602,605		534,681
		8,461,405		9,271,454
Expenditure				
Carriage	11,990		30,607	
Wages	3,332,444		3,417,564	
Hire of plant and machinery	20,527		17,127	
Legal, regulatory and licence	16,967		16,151	
Stock based compensation	85,690		-	
Rent and rates	219,179		304,575	
Rent	755,035		667,745	
Insurance	21,220		24,314	
Light and heat	136,439		159,432	
Other employee costs	27,722		23,877	
Telephone and postage	28,929		29,920	
Postage and stationery	21,879		25,532	
Advertising	-		303	
Travel and entertaining	146,952		96,291	
Computer expenses	5,950		5,844	
Repairs and renewals	2,463		7,683	
Sundry expenses	6,896		7,357	
Subscriptions	149,190		136,702	
Legal and professional fees	104,535		100,585	
Auditors' remuneration	5,000		4,000	
Auditors' remuneration for non audit work	6,800		4,300	
Donations	97		-	
Foreign exchange losses	(94,455)		(750)	
Depreciation of tangible fixed assets	230,339		229,987	
Profit/loss on sale of tangible fixed assets	(1,425)		-	
Bank charges	3,513		3,208	
		5,243,876		5,312,354
NET PROFIT		3,217,529		3,959,100

This page does not form part of the statutory financial statements

DR. REDDY'S BIO-SCIENCES LIMITED

Regd. Office : 7-1-27, Ameerpet, Hyderabad - 500 016.

CIN : U72200TG2000PLC034765

Tel : +91 40 4904 8400 Fax : +91 40 4904 8800

Board's Report

Dear Members,

Your Directors present the 17th Board's Report of the Company for the year ended 31 March 2017.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2016-17 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2017	31 March 2016
Profit/(Loss) for the period after taxation	(38,430)	(11,178)
Balance brought forward	(166,875)	(155,697)
Balance carried forward to Balance Sheet	(205,305)	(166,875)

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 2017.

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 particular of Loans, Guarantees and Investments under section 186 of the Companies Act. 2013 form part of the notes to financial statements provided in this Annual Report.

Number of Board meetings

The Company's Board met four times during the year: 10 May 2016, 25 July 2016, 21 October 2016 and 1 February 2017.

Board of Directors and Key Managerial Personnel (KMP)

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

During the year under review, Ms. Sudipta V, resigned as Company Secretary of the Company.

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 on the Board of the Company, 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 2016-17 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 2016-17. The Secretarial Audit Report for FY2017 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. Accordingly, the Statutory Auditors retire at the ensuing AGM of the Company.

M/s. Alka Zanwar & Co, Chartered Accountants are proposed to be appointed as auditors for a period of 5 years commencing from the conclusion of 17^{th} AGM till the conclusion of the 22^{nd} AGM, subject to ratification by shareholders every year, as may be applicable, in place of M/s. A. Ramachandra Rao & Co., Chartered Accountants.

M/s. Alka Zanwar & Co, Chartered Accountants, have consented to the said appointment and confirmed that their appointment if made, would be within the limits specified under Section 141(3)(g) of the Act. They have further confirmed that they are not disqualified to be appointed as statutory auditor in terms of the provisions of the proviso to Section 139(1), Section 141(2) and Section 141(3) of the Act and the provisions of the Companies (Audit and Auditors) Rules, 2014.

The Audit Committee and the Board of Directors recommend the appointment of M/s. Alka Zanwar & Co., Chartered Accountants, as statutory auditors of the Company from the conclusion of the 17^{th} AGM till the conclusion of 22^{nd} AGM, to the shareholders.

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.

Secretarial Auditor

Based on the consent received from M/s D V Rao & Associates, Practicing Company Secretaries and on the recommendations of the Audit Committee, the Board has appointed M/s D V Rao & Associates, Practicing Company Secretaries, as Secretarial Auditor of the Company for FY2018.

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

Saumen Chakraborty
Director

Date: May 10, 2017
Place: Hyderabad

Annexure- I

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 in non-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 2.7 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

Venkata Narasimham Mannam
Chief Financial Officer

ANNEXURE II

Hyderabad | Gurgaon | Chennai | Mumbai

R & A Associates
T 202, Technopolis, 1-10-74/B
Above Ratnadeep Super Market
Chikoti Gardens, Begumpet
Hyderabad - 500016. India
+91 40-4003 2244 - 47
info@RnA-cs.com | www.RnA-cs.com

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017
[Pursuant to Section 204(1) of the Companies Act, 2013 and RuleNo.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To
The Members
DR. REDDY'S BIO-SCIENCES LIMITED
7-1-27, Ameerpet, Hyderabad – 500016
Telangana, India

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **DR. Reddy's Bio-Sciences Limited** (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2017 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 mannerand 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 as on 31st March, 2017according to the provisions of:

i. The Companies Act, 2013 (the Act) and the rules made thereunder;
ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder - Not applicable to the Company during the Audit Period;
iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder - Not applicable to the Company during the Audit Period;
iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings - Not applicable to the Company during the Audit Period;

R & ASSOCIATES * Hyd-16 * Company Secretaries

v. 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
   b) Acquisition of Shares and Takeovers) Regulations, 2011 - Not applicable to the Company during the Audit Period;
   c) The Securities and Exchange Board of India (Prohibition ofInsider Trading) Regulations, 1992 - Not applicable to the Company during the Audit Period;
   d) The Securities and Exchange Board of India (Issue of Capitaland Disclosure Requirements) Regulations, 2009 - Not applicable to the Company during the Audit Period;
   e) 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;
   f) The Securities and Exchange Board of India (Issue and Listingof Debt Securities) Regulations, 2008 - Not applicable to the Company during the Audit Period;
   g) The Securities and Exchange Board of India (Registrars to anIssue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client - Not applicable to the Company during the Audit Period;
   h) The Securities and Exchange Board of India (Delisting ofEquity Shares) Regulations, 2009 - Not applicable to the Company during the Audit Period; and
   i) The Securities and Exchange Board of India (Buyback ofSecurities) Regulations, 1998 - Not applicable to the Company during the Audit Period.

vi. We further report that there are no such specific industry laws which are applicable to the Company.

We have also examined compliance with the applicable clauses ofthe 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

R & A ASSOCIATES * Hyd-16 * Company Secretaries 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

R & A ASSOCIATES Hyd-16 Company Secretaries

Date: 9th May, 2017
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
DR. REDDY'S BIO-SCIENCES LIMITED
7-1-27, Ameerpet, Hyderabad – 500016
Telangana, 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. DR. Reddy's Bio-Sciences 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

R & A ASSOCIATES Hyd-16 Company Secretaries

Date: 9th May, 2017
Place: Hyderabad

ANNEXURE III

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31 March, 2017

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

II. PRINCIPAL BUSINESS 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

Sl. 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	99.998 %	2(46)

* Represents aggregate % of shares held by the Company.

IV. SHAREHOLDING 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**
B. PUBLIC SHAREHOLDING									

(1) Institutions									
a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trust	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	**0**	**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	54,021,970	100%	0	0
		54,022,070	**100**	**0**	**54,021,970**	**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/ transfer/bonus/sweat equity etc)	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)*	01.04.2016	10	0	0	0	10	0
		31.03.2017	10	0	0	0	10	0
2	Mr. Saumen Chakraborty (Director)*	01.04.2016	10	0	0	0	10	0
		31.03.2017	10	0	0	0	10	0
3	Mr. Raghu Cidambi (Independent Director)	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
4	Mr. Garimella Venkata Rathnam (Independent Director)	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
B.	**KEY MANAGEMENT PERSONNEL (KMPs)**							
5	Mr. Venkatanarasimham Mannam* (Chief Financial Officer)	01.04.2016	10	0	0	0	10	0
		31.03.2017	10	0	0	0	10	0
6	Mr. V Viswanath (Chief Executive Officer)	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
7	Ms. Sudipta V# (Company Secretary)	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0

* Held as Nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.
#Resigned wef. February 1 2017.

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, 2016)				
i) Principal Amount	-	(4,85,250)	-	(4,85,250)
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	(4,85,250)	-	(4,85,250)
Change in Indebtedness during the financial year	-	-	-	-
Addition	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year (March 31, 2017)	-	-	-	-
i) Principal Amount	-	(4,85,250)	-	(4,85,250)
ii) Interest due but not paid	-		-	-
iii) Interest accrued but not due	-		-	-
Total (i+ii+iii)	-	(4,85,250)	-	(4,85,250)

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 – No remuneration was paid to KMP.

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	0	0	0	0
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0	0	0	0
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	0	0	0	0
2	Stock Option	0	0	0	0
3	Sweat Equity	0	0	0	0
4	Commission	0	0	0	0
	- as a % of profit	0	0	0	0
	- others	0	0	0	0
5	Others, please specify - Company's contribution to PF	0	0	0	0
	Total	**0**	**0**	**0**	**0**

(*) Non-KMP Employees of Dr. Reddy's Laboratories Limited, Holding Company.
(**) Paid by Dr. Reddy's Laboratories Limited, Holding Company.
(#) Resigned with effect from February 1, 2017.

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

For and on behalf of the Board of Directors

Date: May 10, 2017
Place: Hyderabad

K Satish Reddy
Director

Saumen Chakraborty
Director

A. Ramachandra Rao & Co.
Chartered Accountants

1st Floor, 3-6-369/A/11,
Street No 1, Himayat Nagar,
Hyderabad-500 029.

Tel. : 27633677
Fax : 27639746
E-mail : arrandco@gmail.com

To
Members
Dr Reddy's Bio Sciences Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **Dr Reddy's Bio Sciences Limited, which** comprise the Balance Sheet as at 31[st]March 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone 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 the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

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 andprudent; 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 standalone Ind AS 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 standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, theaccounting 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 of the standalone Ind AS financial statements 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 standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS 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 standalone Ind AS 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 the 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 standalone Ind AS 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 standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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 including the Ind AS, of the financial position of the Company as at 31st March, 2017, and its financial performance including other comprehensive income, its cash flows and the changes in equity 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") issued by the Central Government interms of Section 143(11) of the Act, we give in "Annexure A"a statement on the matters specified in paragraphs 3 and 4of the Order.

2. As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the informationand explanations which to the best of our knowledgeand belief were necessary for the purposes of ouraudit.

b) In our opinion, proper books of account as requiredby law have been kept by the Company so far as itappears from our examination of those books

c) The Balance Sheet, the Statement of Profit andLoss, the Cash Flow Statement and Statement ofChanges in Equity dealt with by this Report are inagreement with the books of account

d) In our opinion, the aforesaid standalone Ind ASfinancial statements comply with the IndianAccounting Standards prescribed under section 133of the Act.

e) On the basis of the written representations receivedfrom the directors as on 31st March 2017 taken onrecord by the Board of Directors, none of thedirectors is disqualified as on 31st March 2017 frombeing appointed as a director in terms of Section164(2) of the Act.

f) With respect to the adequacy of the internal financialcontrols over financial reporting of the Company andthe operating effectiveness of such controls, refer toour separate Report in "Annexure B".

g) With respect to the other matters to be included inthe Auditor's Report in accordance with Rule 11 ofthe Companies (Audit and Auditors) Rules, 2014, inour opinion and to the best of our information andaccording to the explanations given to us:

i. TheCompany does not have any pending litigationswhich would impact its financial position

ii. The Company did not have anylong-term contracts including derivativecontracts for which there were any materialforeseeable losses.

iii. There has been no delay in transferringamounts, required to be transferred, to theInvestor Education and Protection Fund.

A. Ramachandra Rao & Co. HYDERABAD Chartered Accountants

iv. The Company has made requisite disclosures in its financial statements as it holdings as well as dealings in Specified Bank Notes during the period 08th November 2016 to 30th December 2016 and such disclosures are in accordance with the books of Accounts maintained by the Company.

For M/s A Ramachandra Rao & Co
Chartered Accountants
Firm Regn No. ICAI 002857S

P S R V V Surya Rao
Partner
Membership No. 202367

Hyderabad
Date:10.05.2017

ANNEXURE TO THE AUDITORS' REPORT
(Dr Reddy's Bio Sciences Limited)
(Of even date referred to in Para 1 of our Report)

(i) a) Based on the information provided to us, the Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

b) Based on the information provided to us, all the Fixed Assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets and, to the best of our knowledge, no material discrepancies were noticed on such verification;

c) Based on the information given to us, the title deeds of the properties are held in the name of the Company.

(ii) As explained and information given to us, the company does not have any inventory and hence para 3(ii) of the Order is not applicable to the Company for the period under audit.

(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) 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 not acquired any security during the year and hence, in our opinion, the clause 3(iv) 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) Based on the explanations given to us, the Company is not required to maintain cost Records under Section 148 of the Companies Act, 2013 and hence the clause 3(vi) of the order is not applicable to the Company for the period under audit.

(vii) (a) According to the records of the Company, the Company is regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities;

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Duty of Customs, Duty of Excise, Value added tax and other material statutory dues were in arrears as at 31 March 2017 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 of VAT, income tax, customs duty, excise duty, 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 / due to Debenture Holders and hence clause 3(viii) of the Order is not applicable to the Company for the period under audit.

A. Ramachandra Rao & Co. HYDERABAD ICAI FRN.002857S Chartered Accountants

A. Ramachandra Rao & Co.
Chartered Accountants

(ix) According to the information and explanations given to us, the Company has not raised any monies by way of IPO / further public offer not has taken any term loans and hence clause 3(ix) of the Order is not applicable to the Company for the period under audit.

(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) In our opinion, the provisions of section 197 read with Schedule V to the Companies Act,2013 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 period under audit.

(xii) Based on the explanations given to us, in our opinion, the Company is not a Nidhi Company as per section 406 of the Companies Act,2013 and hence clause 3(xii) is not applicable to the Company.

(xiii) Based on the information provided and explanation given to us, in our opinion, 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) Based on the information provided to us, the Company has not made any preferential allotment of shares during the year and during the year under review and hence, clause 3(xiv) 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 hence, clause 3(xv) is not applicable to the Company during the year.

(xvi) Based on the information provided to us, in our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and hence, clause (xvi) is not applicable to this Company.

Place : Hyderabad
Date: 10.05.2017

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI Firm Regn No. 002857S

P S R V V Surya Rao
Partner
Membership No.202367

A. Ramachandra Rao & Co. HYDERABAD ICAI FRN.002857S Chartered Accountants

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF 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 **Dr Reddy's Bio Sciences Limited**, as of March 31, 2017, 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;

A. Ramachandra Rao & Co. HYDERABAD ICAI FRN 002855S * Chartered Accountants *

(2)provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accountingprinciples, 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, 2017, 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.

Place : Hyderabad
Date: 10.05.2017

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI Firm Regn No. 002857S

P S R V V Surya Rao
Partner
Membership No.202367

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	4,02,757	4,41,147	2,73,504
Investment in an associate and joint ventures	2.2	73	-	-
Other non current assets	2.3	179	179	1,84,179
Total non current assets		**4,03,009**	**4,41,326**	**4,57,683**
Current assets				
Cash and cash equivalents	2.4	8,135	8,237	10,204
Other current assets		7,299	7,299	-
Total current assets		**15,434**	**15,536**	**10,204**
Total assets		**4,18,443**	**4,56,862**	**4,67,887**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.5	5,40,221	5,40,221	5,40,221
Retained earnings		(2,05,305)	(1,66,875)	(1,55,697)
Total equity	2.6	**3,34,916**	**3,73,346**	**3,84,524**
Non current liabilities				
Borrowings	2.7	485	485	485
Deferred tax liabilities (net)		141	141	-
		627	**626**	**485**
Current liabilities				
Other current financial liabilities	2.8	82,900	82,890	82,877
Total Liabilities		**82,900**	**82,890**	**82,877**
Total equity and liabilities		**4,18,443**	**4,56,862**	**4,67,887**

Significant accounting policies & Notes to Accounts 1

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

for and on behalf of the Board of Directors

K.Satish Reddy
Director

Saumen Chakraborty
Director

Venkatanarasimham Mannam
Chief Financial Officer

Place: Hyderabad
Date: 10 May 2017

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 2017	For the year ended 31 March 2016
Continuing operations			
Other income		-	8,307
Total income		**-**	**8,307**
Expenses			
Depreciation and amortisation expense	2.9	38,390	19,297
Other expenses	2.10	40	47
Total expense		**38,430**	**19,344**
Profit/(Loss) before exceptional items and tax		(38,430)	(11,037)
Exceptional items			
Profit/(Loss) before tax		**(38,430)**	**(11,037)**
Deferred tax benefit		-	141
Income tax expense		-	141
Profit/(Loss) for the year		**(38,430)**	**(11,178)**
Other comprehensive income			
Total items that will not be reclassified to profit or loss		-	-
Total items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income for the year		-	-
Earnings per share:			
Basic earnings per share of Rs.10/- each		(0.71)	(0.21)
Diluted earnings per share of Rs.10/- each		(0.71)	(0.21)
Number of shares used in computing earnings per share		5,40,22,070	5,40,22,070
Basic		5,40,22,070	5,40,22,070
Diluted			

Significant accounting policies & Notes to Accounts 1

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

for and on behalf of the Board of Directors

K.Satish Reddy
Director

Saumen Chakraborty
Director

Venkatanarasimham Mannam
Chief Financial Officer

Place: Hyderabad
Date: 10 May 2017

(MSK)

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 2017	For the year ended 31 March 2016
Cash flow from operating activities		
Profit / (Loss) before tax from continuing operations	(38,430)	(11,037)
Profit / (Loss) before tax		
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	38,390	19,297
Gain on disposal of property, plant and equipment	-	(8,307)
Operating cash flows before working capital changes	**(40)**	**(47)**
Working capital adjustments:		
Increase in trade and other payables	11	(7,287)
	(30)	**(7,334)**
Income tax paid	-	-
Net cash flows from/(used in) operating activities	**(30)**	**(7,334)**
Investing activities		
Purchase of property, plant and equipment		5,367
Acquisition of a subsidiary, net of cash acquired	(73)	-
Net cash flows from / (used in) investing activities	**(73)**	**5,367**
Net cash flows from/ (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(103)	(1,967)
Cash and cash equivalents at the beginning of the year	8,237	10,204
Cash and cash equivalents at the end of the year	**8,135**	**8,237**

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

Place: Hyderabad
Date: 10 May 2017

for and on behalf of the Board of Directors

K.Satish Reddy
Director

Saumen Chakraborty
Director

Venkatanarasimham Maonam
Chief Financial Officer

(MSU)

Dr. Reddy's Bio- Sciences Limited

Note 1: Significant Accounting Policies & Notes to financial statements

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

Note 1 : Significant Accounting Policies & Notes to Accounts :

First Time Adoption of Ind AS:

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS).

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.11 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

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

Liabilities:

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

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

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

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other (income)/expense, net" in the consolidated income statement.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in the consolidated income statement as incurred.

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognized in the consolidated income statement on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognized only when receipt of such reimbursements is virtually certain. Such reimbursements are recognized as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Dr. Reddy's Bio- Sciences Limited

Note 1: Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Segment Reporting

In terms of Ind AS 108 relating to "segment reporting", the company operates only in one segment and hence the requirements under the standard are not applicable to the company.

1.3 Related Party Transactions- Ind AS 24

The company has the following amounts due to related parties:

Name of Party	Nature of relationship	Nature of transaction	Closing Balance as on 31.03.2017	Closing Balance as on 31.03.2016
Dr. Reddy's Laboratories Limited	Holding Company	Other payables / Other Current Liabilities	69,216	69,216
Dr. Reddy's Laboratories Limited	Holding Company	Borrowings	485	485

Transaction with related party :

Name of Party	Nature of relationship	Nature of transaction	Closing Balance as on 31.03.2017	Closing Balance as on 31.03.2016
Idea2 Enterprises Pvt. Ltd	Related Party	Investments	73	0

1.4 Taxation - Ind AS 12

a. Current Year Taxation:

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Minimum Alternate Taxation (MAT) :

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

C. Deferred Tax:

Deferred Tax Liability on excess of Tax Depreciation over Book Depreciation has not been created considering the fact that no profits from operations are anticipated in the foreseeable future and consequently, there would be no income tax expense. Deferred Tax Assets on unabsorbed depreciation and business losses have not been created since there is no reasonable certainty of recoverability of these deferred tax assets, if created in the foreseeable future.

1.5 Earnings Per Share : Ind AS 33

The computation of Earnings Per Share is set out below:

Particulars	For the Year Ended 31st March 2017	For the Year Ended 31st March 2016
Earnings / (Loss) for the year	(38,430)	(11,178)
Weighted average number of equity shares		
outstanding during the year - Basic	5,40,22,070	5,40,22,070
outstanding during the year - Diluted	5,40,22,070	5,40,22,070
Earnings Per Share:		
Basic (face value of Rs.10/-)	(0.71)	(0.21)
Diluted (face value of Rs.10/-)	(0.71)	(0.21)

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.6 Details of dues to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Act, 2006

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2017 has been made in the financial statements based on information received and available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the aforesaid Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act. The particulars required to be disclosed are Nil.

1.7 Impairment of Assets

In the opinion of the management, there is no impairment of its assets as on 31 March 2017 requiring recognition in terms of Ind AS 36 prescribed by The Institute of Chartered Accountants of India (ICAI).

1.8 Provision for employee benefits

Ind AS 19 is not applicable to the company during the year as there are no employees .

1.9 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities are stated in Note and the crystallization of these liabilities are dependent upon the outcome of court cases/arbitration/out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallize on the Company and may not have any material impact on the revenue.

1.10 Previous Period Figures

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

1.11 Principle Adjustments made with impact of IndAs adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.12 : Note on Specified Bank Notes (SBN) Transactions

Particulars	SBNs	Other denomination Notes	Total
Closing Cash in hand on 8.11.2016	-	-	-
(+) Permitted Receipts	-	-	-
(-) Permitted Payments	-	-	-
(-) Amounts deposited in Bank	-	-	-
Closing Cash in hand on 30.12.2016	-	-	-

Dr. Reddy's Bio- Sciences Limited
Statement of Changes in Equity
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.5 Equity Share Capital:	As at 31 March 2017	As at 31 March 2016	As at 01 April 2015
Equity shares of INR 10 each issued	5,40,221	5,40,221	5,40,221
	5,40,221	5,40,221	5,40,221
Equity shares of INR 10 each subscribed and fully paid-up	5,40,221	5,40,221	5,40,221

Dr. Reddy's Bio- Sciences Limited

Notes to the Financial Statements

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

Note 2: Notes to financial statements (continued)

2.1: Fixed Assets

Description	Gross block				Accumulated depreciation / amortisation / impairment					Net block	
	As at 1 April 2016	Additions	Deletions	As at 31 March 2017	As at 1 April 2016	For the year	Impairment for the year	Deletions	As at 31 March 2017	As at 31 March 2017	As at 1 April 2016
Land	2,63,808	-	-	2,63,808	-	-	-	-	-	2,63,808	2,63,808
Buildings	1,97,044	-	-	1,97,044	19,704	38,390			58,094	1,38,949	1,77,339
Total tangible assets (A)	**4,60,851**	-	-	**4,60,851**	**19,704**	**38,390**	-	-	**58,094**	**4,02,757**	**4,41,147**
Previuos Year	2,73,912	1,90,932	3,992	4,60,851	407	19,297			19,704	4,41,147	2,73,504

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

Note 2: Notes to financial statements (Continued)

2.5 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
55,000,000 (previous year : 55,000,000) equity shares of Rs. 10/- each	5,50,000	5,50,000	5,50,000
Issued equity capital			
54,022,070 (previous year : 54,022,070) equity shares of Rs. 10/- each fully paid up	5,40,221	5,40,221	5,40,221
Subscribed and fully paid-up			
54,022,070 (previous year : 54,022,070) equity shares of Rs. 10/- each fully paid up	5,40,221	5,40,221	5,40,221
Add: Forfeited share capital (c)			
	5,40,221	**5,40,221**	**5,40,221**

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

Particulars	As at 31 March 2017		As at 31 March 2016		
	No. of equity shares	Amount	No. of equity shares		Amount
Number of shares outstanding at the beginning of the year	5,40,22,070	5,40,221	5,40,22,070		5,40,221
Shares issued during the year					-
Number of shares outstanding at the end of the year	5,40,22,070	5,40,221	5,40,22,070		5,40,221

(b) Terms / rights attached to the equity shares

The company has only one class of equity share having a par value of Rs.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 2017		As at 31 March 2016		
	No. of equity shares held	% holding in the class	No. of equity shares held		% holding in the class
Dr. Reddy's Laboratories Limtied (including shares held by nominees)	5,40,22,070	100.00	5,40,22,070		100.00
	-	-	-		-

Dr. Reddy's Bio- Sciences Limited

Statement of Changes in Equity

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

Note 2: Notes to financial statements (continued)

2.6 Total equity
For the year ended 31 March, 2017

Particulars	Share Capital		Reserves and Surplus						Items of OCI			Total Equity
	Shares	Amount	Share Premium	Share based payment reserve	Capital Reserve	Capital Redemption reserve	General reserve	Retained Earnings	Hedge reserve	Fair value reserve	Actuarial gains / (losses)	
Balance as of 1 April 2015	5,40,22,070	5,40,221	-	-	-	-	-	(1,55,697)	-	-		3,84,524
												-
Issue of equity shares	-	-	-	-	-	-	-		-	-		-
Profit for the period								(11,178)				(11,178)
												-
Balance as of 31 March 2016	5,40,22,070	5,40,221	-	-	-	-	-	(1,66,875)	-	-	-	3,73,346
												-
Issue of equity shares	-	-	-	-	-	-	-	-	-	-		-
Profit for the period								(38,430)				(38,430)
												-
Balance as of 31 March 2017	5,40,22,070	5,40,221	-	-	-	-	-	(2,05,305)	-	-	-	3,34,916

Dr. Reddy's Bio- Sciences Limited

Note 2 : Notes 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 : Investments in an associate and joint ventures

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Investment in Idea2 Enterprises *	73	-	-
* 100 shares Rs 10/- each and at Rs 720 premium			
Total Investments	**73**	**-**	**-**

2.3 : Other assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
A) Non current assets			
Capital advances	-	-	1,84,000
Advance income tax, net of provision	179	179	179
	179	**179**	**1,84,179**

2.4 : Cash and cash equivalent

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Balances with banks:			
- On current accounts	8,135	8,237	10,204
Cash on hand	-	-	-
Cash and cash equivalents	**8,135**	**8,237**	**10,204**

2.7 : Borrowings

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Non-current Borrowings			
Long term borrowings from holding company	485	485	485
Total non-current borrowings	**485**	**485**	**485**

2.8 : Other financial liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Other current financial liabilities			
Accrued expenses	13,685	13,673	13,662
Due to holding company	69,216	69,216	69,216
Total other financial liabilities	**82,900**	**82,889**	**82,877**

2.9 : Depreciation and amortisation expense

	For the year ended 31 March 2017	For the year ended 31 March 2016
Depreciation of tangible assets	38,390	19,297
Depreciation and amortisation expense	**38,390**	**19,297**

2.10 : Other Expense

	For the year ended 31 March 2017	For the year ended 31 March 2016
Legal and professional	29	29
Audit fees	12	11
Other general expenses	-	7
TOTAL Other Expense	**40**	**47**

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R R V Surya Rao
Partner
ICAI Membership No. 202367

A. Ramachandra Rao & Co. HYDERABAD ICAI FRN.002857S Chartered Accountants

Place: Hyderabad
Date: 10 May 2017

for and on behalf of the Board of Directors

K.Satish Reddy
Director

Saumen Chakraborty
Director

Venkatanarasimham Mannam
Chief Financial Officer

Independent Auditors' Report

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

We have audited the accompanying financial statements of **Dr. Reddy's Farmaceutica Do Brasil Ltda.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	40,149	20,779	4,841
Financial assets				
Other financial assets	2.2	1,501	1,350	1,407
Deferred tax assets (net)		-	-	19,539
Total non current assets		**41,650**	**22,129**	**25,787**
Current assets				
Inventories	2.3	842	1,772	4,216
Financial assets				
Trade receivables	2.4	363	976	3,857
Cash and cash equivalents	2.5	112,534	53,706	21,187
Loans	2.6	5,044	-	-
Other assets	2.7	488	13,750	6,937
Other current assets	2.8	828	413	487
Total current assets		**120,099**	**70,617**	**36,684**
Total assets		**161,749**	**92,746**	**62,471**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.9	818,153	785,183	633,545
Other equity				
Retained earnings		(1,211,907)	(1,032,112)	(1,032,025)
Total equity		**(393,754)**	**(246,929)**	**(398,480)**
Non current liabilities				
Financial Liabilities				
Borrowings	2.10	513,576	320,496	302,333
Other non-current liabilities		-	-	85,963
		513,576	**320,496**	**388,296**
Current liabilities				
Financial Liabilities				
Trade payables	2.11	-	-	44,755
Other current financial liabilities	2.12	18,293	12,560	23,467
Other current liabilities	2.13	23,634	6,619	4,433
Total Liabilities		**41,927**	**19,179**	**72,655**
Total equity and liabilities		**161,749**	**92,746**	**62,471**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Farmaceutica Do Brasil Ltda.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Jobelino Vitoriano Locateli
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Revenue from operations	2.14	51,692	102,404
Other Income	2.15	12,392	53,502
Total Income		**64,084**	**155,906**
Expenses			
Cost of raw material and components consumed		7,124	10,027
Employee benefits expense	2.16	103,383	55,676
Depreciation and amortisation expense	2.17	5,060	2,554
Finance costs	2.18	71,306	-
Other expenses	2.19	57,006	69,492
Total expense		**243,879**	**137,749**
(Loss)/Profit before tax		**(179,795)**	**18,157**
Income tax expense	2.20	-	18,244
Loss for the year		**(179,795)**	**(87)**
Earnings per share:			
Basic - Par value of BRL 1 per share		(5.11)	(0.00)
Diluted - Par value of BRL 1 per share		(5.11)	(0.00)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Farmaceutica Do Brasil Ltda.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Jobelino Vitoriano Locateli
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
(Loss)/Profit before taxation	(179,795)	18,157
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	5,060	2,554
Finance costs	71,306	-
Interest Income	(146)	(161)
Net foreign exchange differences	30,315	(3,088)
Provision/(reversal of provision) for doubtful debts,net	-	(54)
Operating cash flows before working capital changes	**(73,260)**	**17,408**
Working capital adjustments:		
Trade and other receivables	720	2,765
Inventories	930	2,444
Trade and other payables	-	(39,088)
Other assets & liabilities,net	29,926	(96,839)
	(41,684)	**(113,310)**
Income tax paid	-	(599)
Net cash flows from operating activities	**(41,684)**	**(113,909)**
Net cash flows used in investing activities		
Purchase of tangible and intangible assets,net	(24,431)	(18,492)
Interest received	146	161
	(24,285)	**(18,331)**
Net cash flows from/ (used in) financing activities		
Proceeds from long term borrowings,net	85,734.51	23,871
Proceeds from issuance of share capital	32,970	151,638
	118,705	**175,509**
Net increase / (decrease) in cash and cash equivalents	52,736	43,269
Cash and cash equivalents at the beginning of the year	53,706	21,187
Effect of foreign exchange loss on cash and cash equivalents	6,092	(10,750)
Cash and cash equivalents at the end of the year	**112,534**	**53,706**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	112,534	53,706
Cash and bank balances at the end of the year	**112,534**	**53,706**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Farmaceutica Do Brasil Ltda.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Jobelino Vitoriano Locateli
Director

Place: Hyderabad
Date: 9 May 2017

Dr. Reddy's Farmaceutica Do Brasil Ltda.

Statement of Changes in Equity

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

2.9 Total equity

Particulars	Share Capital		Reserves and Surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2015	**26,699,230**	**633,545**	**(1,032,025)**	**(398,480)**
Shares issued during the year	7,915,000	151,638	-	151,638
Loss for the period	-	-	(87)	(87)
Balance as of 31 March 2016	**34,614,230**	**785,183**	**(1,032,112)**	**(246,929)**
Loss for the period	1,635,000	32,970	(179,795)	(146,825)
Balance as of 31 March 2017	**36,249,230**	**818,153**	**(1,211,907)**	**(393,754)**

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Farmaceutica Do Brasil Ltda.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Jobelino Vitoriano Locateli
Director

Place: Hyderabad
Date: 9 May 2017

Dr. Reddy's Farmaceutica Do Brasil Ltda.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Dr. Reddy's Farmaceutica Do Brasil Ltda.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Sales and services rendered to holding company or other group companies:		
Dr. Reddy's Laboratories Limited	51,692	52,825
Purchases and services rendered from holding company or other group companies:		
Dr. Reddy's Laboratories Limited	70,038	3,883

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

Particulars	As at 31 March 2017	As at 31 March 2016
Due from holding company and other group companies(included in other current asset):		
Dr. Reddy's Laboratories Limited	-	9,656
Due from holding company and other group companies(included in trade receivables):		
Dr. Reddy's Laboratories Limited	363	828
Due to holding company and other group companies(included in borrowings):		
Dr. Reddy's Laboratories Limited	383,755	320,496
Dr. Reddy's Laboratories SA	129,821	-
Due from holding company and other group companies(included in trade payables and other liabilities):		
Dr. Reddy's Laboratories Limited	13,948	-

1.3 Taxation

a. Current Taxes

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

b. Deferred Taxes

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

1.4 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.6 The company, incorporated in Brazil , is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

Dr. Reddy's Farmaceutica Do Brasil Ltda.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.1 : Property, plant and equipment

Description	Gross Block				Depreciation				Net Block	
	As at 01.4.2016	Additions	Deletions	As at 31.03.2017	As at 01.4.2016	For the year	Deletions	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Plant and machinery	58,775	32,871	21,200	70,446	37,996	5,060	12,760	30,296	40,149	20,779
Total	**58,775**	**32,871**	**21,200**	**70,446**	**37,996**	**5,060**	**12,760**	**30,296**	**40,149**	**20,779**

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 01.4.2015
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**

Dr. Reddy's Farmaceutica Do Brasil Ltda.

Notes to Financial Statements

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

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Other financial assets			
Security Deposits	1,501	1,350	1407
	1,501	**1,350**	**1,407**

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Inventories			
Stock-in-trade (goods acquired for trading)	842	1,772	4,216
	842	**1,772**	**4,216**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Trade receivables			
(Unsecured,considered good)			
Receivables from holding/other group companies	363	828	3857
Other receivables	-	148	-
	363	**976**	**3,857**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.5 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	9,217	53,672	21,137
- Deposit accounts (original maturity less than three months)	103,092	-	-
Cash on hand	225	34	50
	112,534	**53,706**	**21,187**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.6 : Loans and Advances			
Other advances	5,044	-	-
	5,044	**-**	**-**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.7 : Other Assets			
Other assets receivable from holding company and other group companies	-	9,656	-
Other current assets	488	4,094	6,937
	488	**13,750**	**6,937**

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.8: Other current assets			
Advances to employees	696	31	260
Prepaid expenses	132	382	227
	828	**413**	**487**

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

Note 2: Notes to the financial statements

2.9 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
36,249,230 (31 March 2016 : 34,614,230; 1 April 2015: 26,699,230) equity shares of BRL 1 each	818,153	785,183	633,545
Issued equity capital			
36,249,230 (31 March 2016 : 34,614,230; 1 April 2015: 26,699,230) equity shares of BRL 1 each	818,153	785,183	633,545
Subscribed and fully paid-up			
36,249,230 (31 March 2016 : 34,614,230; 1 April 2015: 26,699,230) equity shares of BRL 1 each	818,153	785,183	633,545
	818,153	**785,183**	**633,545**

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

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
Number of shares outstanding at the beginning of the year	34,614,230	785,183	26,699,230	633,545	26,699,230	633,545
Shares issued during the year	1,635,000	32,970	7,915,000	151,638	-	-
Number of shares outstanding at the end of the year	**36,249,230**	**818,153**	**34,614,230**	**785,183**	**26,699,230**	**633,545**

(b) **Details of shareholders holding more than 5% shares in the Company**

Particulars	As at 31 March 2016		As at 31 March 2015		As at 1 April 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares	No.of equity shares	% of equity shares
Dr. Reddy's Laboratories Limited	36,249,230	100%	34,614,230	100%	26,699,230	100%

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.10 : Non current borrowings			
From other parties			
Long term borrowings from holding company and other group companies	513,576	320,496	302,333
	513,576	**320,496**	**302,333**

Financial Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.11 : Trade Payables			
Payables to holding company and other group companies	-	-	44,755
			44,755

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.12 : Other current financial liabilities			
Accrued expenses	14,718	9,678	11,426
Other current liabilities	3,575	2,882	12,041
	18,293	**12,560**	**23,467**

Other Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.13 : Other Current Liabilities			
Taxes payable	1,708	2,113	2,827
Advances from Customers from holding company and other group companies	13,948	-	-
Salary and bonus payable	4,133	2,373	307
Due to statutory authorities	2,567	2,133	1,299
Other liabilities	1,278	-	-
	23,634	**6,619**	**4,433**

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 the financial statements

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.14 : Revenue from operations		
Sales (including excise duty)	-	33,182
Service income and License fees	51,692	69,222
	51,692	**102,404**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.15 : Other income		
Interest income		
On fixed deposits	146	161
Other operating revenues	3,097	53,341
Foreign exchange gain,net	9,149	-
	12,392	**53,502**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.16 : Employee benefits expense		
Salaries, wages and bonus	61,598	32,084
Staff welfare expenses	41,785	23,592
	103,383	**55,676**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.17 : Depreciation and amortisation expense		
Depreciation of property,plant and equipment	5,060	2,554
	5,060	**2,554**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.18 : Finance costs		
Interest on long term borrowings	71,306	-
	71,306	**-**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.19 : Other expenses		
Legal and professional	16,647	11,994
Rates and taxes	68	2,473
Selling expenses	2,986	10,346
Travelling and conveyance	5,669	3,901
Communication	2,409	1,340
Rent	5,456	4,144
Insurance	677	529
Foreign exchange loss, net	-	21,833
Other general expenses	23,094	12,932
	57,006	**69,492**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.20 : Tax expense		
Deferred tax expense	-	18,244
	-	**18,244**

Independent Auditors' Report

To the Members of **Dr. Reddy's Laboratories (Australia) Pty. Limited**

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories (Australia) Pty. Limited**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	12,931	15,459	9,430
Financial assets				
Other financial assets	2.2	770	1,659	1,772
Deferred tax assets (net)		1,226	1,661	94,446
Total non current assets		**14,927**	**18,779**	**105,648**
Current assets				
Inventories	2.3	84,520	184,688	251,436
Financial assets				
Trade receivables	2.4	205,934	146,317	319,973
Cash and cash equivalents	2.5	75,171	34,912	64,728
Loans	2.6	103	144	91
Other assets	2.7	-	24,705	-
Other current assets	2.8	31,961	27,330	10,277
Total current assets		**397,689**	**418,096**	**646,505**
Total assets		**412,616**	**436,875**	**752,153**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.9	35,126	35,126	35,126
Other equity				
Retained earnings		(504,756)	(498,209)	(354,197)
Share Premium		1,795	1,795	1,795
Total equity		**(467,835)**	**(461,288)**	**(317,276)**
Non current liabilities				
Financial Liabilities				
Borrowings	2.10	690,159	717,242	658,277
Other Liabilities	2.11	2,129	3,830	-
		692,288	**721,072**	**658,277**
Current liabilities				
Financial Liabilities				
Trade payables	2.12	136,676	128,614	362,519
Other current financial liabilities	2.13	29,878	38,621	40,359
Provisions	2.14	6,471	6,654	4,681
Other current liabilities	2.15	15,138	3,202	3,593
Total Liabilities		**188,163**	**177,091**	**411,152**
Total equity and liabilities		**412,616**	**436,875**	**752,153**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Australia) Pty. Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

M V Narasimham
Director

Abhijit Mukherjee
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Revenue from operations	2.16	820,079	577,293
Other Income	2.17	18,198	2,259
Total Income		**838,277**	**579,552**
Expenses			
Cost of raw material and components consumed		579,262	302,585
Employee benefits expense	2.18	133,196	133,664
Depreciation and amortisation expense	2.19	2,528	2,393
Finance costs	2.20	21,471	28,655
Other expenses	2.21	107,985	165,853
Total expense		**844,442**	**633,150**
(Loss)/Profit before tax		**(6,165)**	**(53,598)**
Income tax expense	2.22	383	90,414
Loss for the year		**(6,548)**	**(144,012)**
Earnings per share			
Basic - Par value AUD 1 per share		(6.55)	(144.01)
Diluted - Par value AUD 1 per share		(6.55)	(144.01)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Australia) Pty. Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

M V Narasimham
Director

Abhijit Mukherjee
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
Loss before taxation	(6,165)	(53,598)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	2,528	2,393
Finance costs	21,471	28,655
Interest Income	(85)	(301)
Net foreign exchange differences	(17,108)	47,470
Provision/(reversal of provision) for doubtful debts,net	229	-
Operating cash flows before working capital changes	**870**	**24,619**
Working capital adjustments:		
Trade and other receivables	(64,444)	185,928
Inventories	100,168	66,748
Trade and other payables	2,637	(245,748)
Other assets & liabilities,net	31,466	(38,570)
	70,697	**(7,023)**
Income tax paid	-	-
Net cash flows from operating activities	**70,697**	**(7,023)**
Net cash flows used in investing activities		
Purchase of tangible and intangible assets	-	(8,423)
Interest received	85	301
	85	**(8,122)**
Net cash flows from/ (used in) financing activities		
Repayment of long term borrowings,net	(28,934)	(17,444)
	(28,934)	**(17,444)**
Net increase / (decrease) in cash and cash equivalents	41,848	(32,589)
Cash and cash equivalents at the beginning of the year	34,912	64,728
Effect of foreign exchange (gain) / loss on cash and cash equivalents	(1,589)	2,773
Cash and cash equivalents at the end of the year	**75,171**	**34,912**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	75,171	34,912
Cash and bank balances at the end of the year	**75,171**	**34,912**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of**Dr. Reddy's Laboratories (Australia) Pty. Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

M V Narasimham
Director

Abhijit Mukherjee
Director

Place: Hyderabad
Date: 9 May 2017

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

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus		Total Equity
	Shares	Amount	Retained Earnings	Share Premium	
Balance as of 1 April 2015	**1,000,000**	**35,126**	**(354,197)**	**1,795**	**(317,276)**
Shares issued during the year	-	-	-	-	-
Loss for the period	-	-	(144,012)	-	(144,012)
Balance as of 31 March 2016	**1,000,000**	**35,126**	**(498,209)**	**1,795**	**(461,289)**
Loss for the period	-	-	(6,548)	-	(6,548)
Balance as of 31 March 2017	**1,000,000**	**35,126**	**(504,757)**	**1,795**	**(467,836)**

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Australia) Pty. Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

M V Narasimham
Director

Abhijit Mukherjee
Director

Place: Hyderabad
Date: 9 May 2017

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

For this purpose, the Company follows ‘simplified approach’ for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest paid to holding company and other group companies:		
Dr. Reddy’s Laboratories SA	21,471	28,655
Purchases and services from holding company and other group companies:		
Dr. Reddy’s Laboratories Limited	300,400	143,839
Promius Pharma LLC	4,956	6,632
Dr. Reddy’s Laboratories SA	178,537	17,990
Sales to holding company and other group companies:		
Dr. Reddy's New Zealand Limited	1,186	-
Operating expenses paid / payable by holding company and other group companies:		
Promius Pharma LLC	-	22,302

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

Particulars	As at 31 March 2017	As at 31 March 2016
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
Due to holding company and other group companies (included in trade payables):		
Dr. Reddy’s Laboratories Limited	111,464	98,313
Dr. Reddy’s Laboratories SA	9,187	18,274
Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy’s Laboratories SA	690,159	717,242
Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy’s Laboratories Limited	780	802

1.3 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

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

Particulars	As at 31 March 2017	As at 31 March 2016
Deferred tax assets / (liabilities)		
Property, plant and equipment	1,226	1,661
Deferred tax asset, net	**1,226**	**1,661**

1.4 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

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

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.5 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as previously reported under Previous GAAP and that compared under Ind AS :

Particulars	As at 1 April 2015	As at 31 March 2016
Equity as per Indian GAAP	(317,726)	(460,764)
Adjustments:		
Impact on current and deferred taxes	-	(524)
Equity as per Ind AS	**(317,276)**	**(461,288)**

Reconciliation between financial results as previously reported under Previous GAAP and Ind AS for the year ended 31 March 2016

Profit for the year under previous GAAP	(143,488)
Impact on current and deferred taxes	(524)
Profit for the year under Ind AS	**(144,012)**

1.6 The company, incorporated in Australia, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

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

2.1 : Property, plant and equipment

	Gross Block				Depreciation / Amortisation				Net Block	
Description	**As at 01.4.2016**	**Additions**	**Disposals**	**As at 31.03.2017**	**As at 01.4.2016**	**For the year**	**Disposals**	**As at 31.03.2017**	**As at 31.03.2017**	**As at 31.03.2016**
Furniture and Fixtures & Office equipment	20,703		-	20,703	5,244	2,528	-	7,772	12,931	15,459
Total tangible assets (A)	**20,703**	**-**	**-**	**20,703**	**5,244**	**2,528**	**-**	**7,772**	**12,931**	**15,459**
Goodwill	1,779	-	-	1,779	1,779	-	-	1,779	-	-
Total intangible assets (B)	**1,779**	**-**	**-**	**1,779**	**1,779**	**-**	**-**	**1,779**	**-**	**-**
TOTAL (A+B)	**22,482**	**-**	**-**	**22,482**	**7,023**	**2,528**	**-**	**9,551**	**12,931**	**15,459**

	Gross Block				Depreciation / Amortisation				Net Block	
Description	**As at 01.4.2015**	**Additions**	**Disposals**	**As at 31.03.2016**	**As at 01.4.2015**	**For the year**	**Disposals**	**As at 31.03.2016**	**As at 31.03.2016**	**As at 01.4.2015**
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**

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

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Other financial assets			
Security Deposits	770	1,659	1,772
	770	**1,659**	**1,772**

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Inventories			
Stock-in-trade (goods acquired for trading)	84,520	184,688	251,436
	84,520	**184,688**	**251,436**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Trade receivables			
Unsecured,considered good			
Receivable from holding company and other group companies	780	802	-
Receivable from Others	205,380	145,515	319,973
Less: Allowances for credit losses	(226)	-	-
	205,934	**146,317**	**319,973**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.5 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	75,152	34,881	64,706
- Deposit accounts (original maturity less than three months)	-	-	-
Cash on hand	19	31	22
	75,171	**34,912**	**64,728**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.6 : Loans and Advances			
Other advances	103	144	91
	103	**144**	**91**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.7 : Other Assets			
Other assets receivable from holding company and other group companies	-	24,705	-
	-	**24,705**	**-**

B. Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.8: Other current assets			
Advances to employees	1,168	729	428
Prepaid expenses	8,261	7,662	9,552
Balance with statutory agencies	22,532	18,939	297
	31,961	**27,330**	**10,277**

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

Notes to Financial Statements

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

2.9 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
1,000,000 (31 March 2016: 1,000,000; 1 April 2015: 1,000,000) ordinary shares of AUD 1 each	35,126	35,126	35,126
Issued equity capital			
1,000,000 (31 March 2016: 1,000,000; 1 April 2015: 1,000,000) ordinary shares of AUD 1 each	35,126	35,126	35,126
Subscribed and fully paid-up			
1,000,000 (31 March 2016: 1,000,000; 1 April 2015: 1,000,000) ordinary shares of AUD 1 each	35,126	35,126	35,126
	35,126	**35,126**	**35,126**

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

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	Amount	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	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**	**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 2017		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares	No.of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	1,000,000	100%	1,000,000	100%	1,000,000	100%

Financial Liabilities

2.10: Non-current Borrowings

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
From other parties			
Long term borrowings from holding company and other group companies	690,159	717,242	658,277
	690,159	**717,242**	**658,277**

2.11 : Other financial liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Other Liabilities	2,129	3,830	-
	2,129	**3,830**	**-**

2.12 : Trade Payables

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Payables to holding company and other group companies	120,651	116,587	318,534
Payables to others	16,025	12,027	43,985
	136,676	**128,614**	**362,519**

2.13: Other current financial liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Accrued expenses	18,259	26,864	29,441
Other current liabilities	11,619	11,757	10,918
	29,878	**38,621**	**40,359**

2.14 : Provisions

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Provision for employee benefits	6,471	6,654	4,681
	6,471	**6,654**	**4,681**

Other Liabilities

2.15 : Other Current Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Due to statutory authorities	15,138	3,202	3,593
	15,138	**3,202**	**3,593**

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

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.16 : Revenue from operations		
Sales	820,079	577,293
	820,079	**577,293**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.17 : Other income		
Interest income		
On fixed deposits	85	301
Other operating revenues	4	1,958
Foreign exchange gain,net	18,109	-
	18,198	**2,259**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.18 : Employee benefits expense		
Salaries, wages and bonus	124,471	124,441
Contribution to provident and other funds	8,725	9,223
	133,196	**133,664**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.19 : Depreciation and amortisation expense		
Depreciation of tangible assets	2,528	2,393
	2,528	**2,393**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.20 : Finance costs		
Interest on long term borrowings	21,471	28,655
	21,471	**28,655**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.21 : Other expenses		
Legal and professional	14,036	8,427
Selling expenses	25,259	20,015
Travelling and conveyance	7,550	8,147
Communication	2,147	2,747
Rent	8,750	9,337
Foreign exchange loss, net	-	52,866
Other general expenses	50,243	64,314
	107,985	**165,853**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.22 : Tax expense		
Deferred tax expense	383	90,414
	383	**90,414**

Independent Auditors’ Report

To the Members of **Dr. Reddy's Laboratories (Canada) Inc.**

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories (Canada) Inc.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company’s Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor’s Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	1,108	1,555	1,890
Financial assets				
Other financial assets	2.2	335	353	338
Total non current assets		**1,443**	**1,908**	**2,228**
Current assets				
Inventories	2.3	113,261	69,191	4,333
Financial assets				
Trade receivables	2.4	2,230	10,378	5,208
Cash and cash equivalents	2.5	6,460	20,959	25,555
Loans	2.6	286	301	862
Other assets	2.7	7,254	-	-
Other current assets	2.8	7,700	4,125	-
Total current assets		**137,191**	**104,954**	**35,958**
Total assets		**138,634**	**106,862**	**38,186**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.9	21	6	6
Other equity				
Share premium		209,202	58,047	58,047
Retained earnings		(103,946)	(104,434)	(103,269)
Total equity		**105,276**	**(46,381)**	**(45,216)**
Non current liabilities				
Financial Liabilities				
Borrowings	2.10	-	26,859	24,960
		-	**26,859**	**24,960**
Current liabilities				
Financial Liabilities				
Trade payables	2.11	14,764	111,118	48,108
Other current financial liabilities	2.12	12,896	10,252	6,472
Other current liabilities	2.13	5,698	5,014	3,862
Total Liabilities		**33,358**	**126,384**	**58,442**
Total equity and liabilities		**138,634**	**106,862**	**38,186**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Canada) Inc.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Revenue from operations	2.14	130,698	78,474
Other Income	2.15	1,637	-
Total Income		**132,335**	**78,474**
Expenses			
Cost of material consumed		42,898	(4,516)
Employee benefits expense	2.16	58,782	53,203
Depreciation and amortisation expense	2.17	447	430
Finance costs	2.18	436	762
Other expenses	2.19	29,285	29,759
Total expense		**131,847**	**79,639**
Profit/(Loss) before tax		**488**	**(1,165)**
Income tax expense		-	-
Profit/(Loss) for the year		**488**	**(1,165)**
Earnings per share:			
Basic - Par value of CAD 1 per share		2,803.26	(11,647.67)
Diluted - Par value of CAD 1 per share		2,803.26	(11,647.67)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Canada) Inc.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
Profit/(Loss) before taxation	488	(1,165)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	447	430
Finance costs	436	762
Net foreign exchange differences	(1,014)	2,993
Allowances for sales returns	(971)	1,130
Provision/(reversal of provision) for inventory obsolescence,net	31,996	(6,588)
Provision/(reversal of provision) for doubtful debts,net	119	37
Operating cash flows before working capital changes	**31,501**	**(2,401)**
Working capital adjustments:		
Trade receivables	7,871	(4,815)
Inventories	(76,067)	(58,270)
Trade and other payables	(95,235)	59,890
Other assets & liabilities,net	(33,322)	(247)
	(165,252)	**(5,843)**
Income tax paid	-	-
Net cash flows from operating activities	**(165,252)**	**(5,843)**
Net cash flows used in investing activities		
Purchase of tangible and intangible assets	-	(95)
	-	**(95)**
Net cash flows from/ (used in) financing activities		
Proceeds from issuance of share capital	151,170	-
	151,170	**-**
Net increase / (decrease) in cash and cash equivalents	(14,082)	(5,938)
Cash and cash equivalents at the beginning of the year	20,959	25,555
Effect of foreign exchange loss on cash and cash equivalents	(417)	1,342
Cash and cash equivalents at the end of the year	**6,460**	**20,959**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	6,460	20,959
Cash and bank balances at the end of the year	**6,460**	**20,959**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Canada) Inc.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

Saumen Chakraborty
Director

Dr. Reddy's Laboratories (Canada) Inc.

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus		Total Equity
	Shares	Amount	Share Premium	Retained Earnings	
Balance as of 1 April 2015	**100**	**6**	**58,047**	**(103,269)**	**(45,216)**
Shares issued during the year	-	-	-	-	-
Loss for the period	-	-	-	(1,165)	(1,165)
Balance as of 31 March 2016	**100**	**6**	**58,047**	**(104,434)**	**(46,381)**
Shares issued during the year	300	15	151,155	-	151,170
Profit for the period	-	-	-	488	488
Balance as of 31 March 2017	**400**	**21**	**209,202**	**(103,946)**	**105,276**

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Canada) Inc.**

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2017

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)
These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments
The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue
Sale of goods
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income
Revenue from services rendered, which primarily relate to contract research, is recognised 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.

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

Interest income and dividend
Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share
The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification
All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.
Assets:
An asset is classified as current when it satisfies any of the following criteria:
a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
Liabilities:
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
Current asset / liabilities include the current portion of non current asset / liabilities respectively. All other asset / liabilities are classified as non current.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Dr. Reddy's Laboratories (Canada) Inc.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest paid/payable to holding company or other group companies:		
Dr. Reddy's Laboratories SA	436	762
Purchases and services rendered from holding company or other group companies:		
Dr. Reddy's Laboratories SA	15,963	15,398
Dr. Reddy's Laboratories Limited	77,134	44,173

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

Particulars	As at 31 March 2017	As at 31 March 2016
Due to holding company and other group companies(included in other current financial liabilities):		
Dr. Reddy's Laboratories Inc.	5,312	2,030
Due from holding company and other group companies(included in other current financial asset):		
Dr. Reddy's Laboratories SA	7,254	-
Due to holding company and other group companies(included in borrowings):		
Dr. Reddy's Laboratories SA	-	26,859
Due to holding company and other group companies(included in trade payables):		
Dr. Reddy's Laboratories SA	-	46,217
Dr. Reddy's Laboratories Limited	11,936	64,864

1.3 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.4 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.6 The company, incorporated in Canada , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

Dr. Reddy's Laboratories (Canada) Inc.

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

Note 2: Notes to financial statements (continued)

2.1 : Property, plant and equipment

Description	Gross Block				Depreciation				Net Block	
	As at 1.04.2016	Additions	Deletions	As at 31.03.2017	As at 1.04.2016	For the year	Deletions	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Office Equipment	302			302	176	78		254	48	126
Plant and Machinery	2,017	-		2,017	588	369		957	1,060	1,429
TOTAL	**2,319**	**-**	**-**	**2,319**	**764**	**447**	**-**	**1,211**	**1,108**	**1,555**

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	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**

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

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Other financial assets			
Security Deposits	335	353	338
	335	**353**	**338**

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Inventories			
Stock-in-trade (goods acquired for trading)	113,261	69,191	4,333
	113,261	**69,191**	**4,333**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Trade receivables			
(Unsecured,considered good)			
Receivables from other parties	2,230	10,378	5,208
	2,230	**10,378**	**5,208**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.5 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	6,460	20,959	25,555
	6,460	**20,959**	**25,555**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.6 : Loans and Advances			
Other advances	286	301	862
	286	**301**	**862**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.7 : Other Assets			
Other assets receivable from holding company and other group companies	7,254	-	-
	7,254	**-**	**-**

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.8: Other current assets			
Balance with statutory agencies	7,584	3,912	-
Other current assets	117	213	-
	7,700	**4,125**	**-**

Dr. Reddy's Laboratories (Canada) Inc.

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

Note 2: Notes to the financial statements

2.9 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
400 (31 March 2016 : 100; 1 April 2015: 100) equity shares of CAD 1 each	21	6	6
Issued equity capital			
400 (31 March 2016 : 100; 1 April 2015: 100) equity shares of CAD 1 each	21	6	6
Subscribed and fully paid-up			
400 (31 March 2016 : 100; 1 April 2015: 100) equity shares of CAD 1 each	21	6	6
	21	**6**	**6**

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

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	No.of equity shares	Amount	No.of equity shares	Amount	No.of equity shares	Amount
Number of shares outstanding at the beginning of the year	100	6	100	6	100	6
Shares issued during the year	300	15	-	-	-	-
Number of shares outstanding at the end of the year	**400**	**21**	**100**	**6**	**100**	**6**

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

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares	No.of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	400	100%	100	100%	100	100%

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.10 : Non current borrowings			
From other parties			
Long term borrowings from holding company and other group companies	-	26,859	24,960
	-	**26,859**	**24,960**

Financial Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.11 : Trade Payables			
Payables to holding company and other group companies	11,936	111,081	48,108
Other payables	2,829	37	-
	14,764	**111,118**	**48,108**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.12 : Other current financial liabilities			
Accrued expenses	7,584	8,222	5,892
Other liabilities payable to holding/group companies	5,312	2,030	580
	12,896	**10,252**	**6,472**

Other Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.13 : Other Current Liabilities			
Salary and bonus payable	2,961	2,884	3,350
Due to statutory authorities	13	-	-
Other liabilities	2,724	2,130	512
	5,698	**5,014**	**3,862**

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

2.14 : Revenue from operations

	For the year ended 31 March 2017	For the year ended 31 March 2016
Sales	130,698	78,474
	130,698	**78,474**

2.15 : Other income

	For the year ended 31 March 2017	For the year ended 31 March 2016
Foreign exchange gain,net	1,637	-
	1,637	**-**

2.16 : Employee benefits expense

	For the year ended 31 March 2017	For the year ended 31 March 2016
Salaries, wages and bonus	56,460	51,231
Contribution to provident and other funds	982	997
Staff Welfare expenses	1,340	975
	58,782	**53,203**

2.17 : Depreciation and amortisation expense

	For the year ended 31 March 2017	For the year ended 31 March 2016
Depreciation of property,plant and equipment	447	430
	447	**430**

2.18 : Finance costs

	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest on long term borrowings	436	762
	436	**762**

2.19 : Other expenses

	For the year ended 31 March 2017	For the year ended 31 March 2016
Legal and professional	8,578	3,407
Rates and taxes	1,491	(3,632)
Selling expenses	6,262	5,558
Travelling and conveyance	5,029	5,233
Communication	285	324
Rent	3,259	2,583
Insurance	402	-
Foreign exchange loss, net	-	2,860
Other general expenses	3,980	13,426
	29,285	**29,759**

Dr Reddy's Laboratories (EU) Limited

Strategic Report, Report of the Directors and

Financial Statements

for the Year Ended 31st March 2017

Contents of the Financial Statements for the year ended 31st March 2017

Company Information
for the year ended 31st March 2017

DIRECTORS:	K.S. Reddy D A Chaplin S. Kohli V Mannam
SECRETARY:	A Bandali
REGISTERED OFFICE:	Riverview Road Beverley East Yorkshire HU17 0LD
REGISTERED NUMBER:	02177715 (England and Wales)
SENIOR STATUTORY AUDITOR:	Alan Brocklehurst
AUDITORS:	cbaSadofskys Statutory Auditors Princes House Wright Street Hull East Yorkshire HU2 8HX
BANKERS:	Bank of Scotland Aldgate House 1/4 Market Place Hull HU1 1RA

Strategic Report
for the year ended 31st March 2017

The directors present their strategic report for the year ended 31st March 2017.

REVIEW OF BUSINESS
The key financial highlights are as follows:

	31/3/17	31/3/16
	£	£
Turnover - United Kingdom	3,861,147	2,498,313
Turnover growth - United Kingdom	54.6%	27.2%
Turnover - Europe and other countries	17,769,208	16,165,430
Turnover growth - Europe and other countries	9.9%	138.3%
Profit before tax	10,835,476	13,684,742
Profit before tax margin	50.1%	73.3%

The increased revenues and profits in the current year are due to price increase for one product Permethrin BPC.

Successful execution of customer projects will be key in capturing future commercial opportunity.

PRINCIPAL RISKS AND UNCERTAINTIES
The company has identified the principal areas of risk that it faces as:

Financial instrument risk
The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the company's performance objectives. The objectives aim to ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Impact of pharmaceutical regulations
The business is subject to various regulations and any tightening of these could have a negative impact on earnings.

Price risk
The company sells active pharmaceutical products. The prices of such products tend to reduce on account of severe pricing pressure and competition. This risk is managed by maintaining adequate levels of stock and introducing new products.

Foreign exchange risk
The company sells and purchases some products in foreign currencies. The risk is mitigated by monitoring foreign exchange rates on a daily basis and taking foreign exchange cover, if required.

Credit risk
Credit checks are carried out on all customers. Amounts outstanding for both time and credit limits are regularly monitored. The company has little experience of material bad debts in general.

Liquidity risk
Liquidity is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company manages its cash flow to ensure that sufficient liquid resources are available to meet its operating needs.

Interest rate and cash flow risk
The company had a favourable cash balance during the year and therefore does not consider that interest rates or cash flow pose a significant risk.

Strategic Report
for the year ended 31st March 2017

FUTURE DEVELOPMENTS AND STRATEGY
Mirfield:

- Strives to develop strong respectful relationships with our customers based on delivering Value.
- We have a skilled and empowered workforce willing and able to respond to new challenges.
- The site is FDA and MRHRA approved and has a culture of continuous improvement in Quality and Safety.
- Backed up with the considerable knowledge base in the parent company this helps us to stay ahead of regulatory requirements.
- The site is profitable and intends to stay that way and remain a key contributor to CPS and Dr Reddy's revenue and profit.
- Has expertise in both small scale complex chemistry and large scale API development & manufacture.

ON BEHALF OF THE BOARD:

A Bandali - Secretary

10th May 2017

Report of the Directors
for the year ended 31st March 2017

The directors present their report with the financial statements of the company for the year ended 31st March 2017.

DIVIDENDS
No dividends will be distributed for the year ended 31st March 2017.

FUTURE DEVELOPMENTS
These details have been provided in the company's strategic report.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors during the year under review were:

K.S. Reddy
D A Chaplin
S. Kohli
V Mannam

The directors holding office at 31st March 2017 did not hold any beneficial interest in the issued share capital of the company at 1st April 2016 or 31st March 2017.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
The company's principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to raise funds and finance the company's operations.

Revenue maintenance
The company actively markets and manages its portfolio of products to focus on revenue building and maintenance which, over the life cycle of the products can contribute to the future profits of the business.

Risks and uncertainties
These details have been provided in the company's strategic report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, cbaSadofskys, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

A Bandali - Secretary

10th May 2017

Report of the Independent Auditors to the Members of Dr Reddy's Laboratories (EU) Limited

We have audited the financial statements of Dr Reddy's Laboratories (EU) Limited for the year ended 31st March 2017 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Alan Brocklehurst (Senior Statutory Auditor)
for and on behalf of cbaSadofskys
Statutory Auditors
Princes House
Wright Street
Hull
East Yorkshire
HU2 8HX

11th May 2017

Dr Reddy's Laboratories (EU) Limited

Income Statement
for the year ended 31st March 2017

	Notes	2017 £	2016 £
TURNOVER	3	21,630,355	18,663,743
Cost of sales		(8,511,851)	(8,503,989)
GROSS PROFIT		13,118,504	10,159,754
Distribution costs		(39,786)	(55,131)
Administrative expenses		(2,855,294)	(2,942,182)
		10,223,424	7,162,441
Other operating income		539,937	93,993
OPERATING PROFIT	5	10,763,361	7,256,434
Income from shares in group undertakings		-	6,500,000
Interest receivable and similar income		80,365	1,717
		10,843,726	13,758,151
Interest payable and similar expenses	6	(8,250)	(73,409)
PROFIT BEFORE TAXATION		10,835,476	13,684,742
Tax on profit	7	(2,198,547)	(1,456,325)
PROFIT FOR THE FINANCIAL YEAR		8,636,929	12,228,417

The notes form part of these financial statements

Other Comprehensive Income
for the year ended 31st March 2017

	Notes	2017 £	2016 £
PROFIT FOR THE YEAR		8,636,929	12,228,417
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,636,929	12,228,417

The notes form part of these financial statements

Balance Sheet
31st March 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Intangible assets	8	727,283	1,089,344
Tangible assets	9	5,302,160	5,141,841
Investments	10	13,816,932	13,816,932
		19,846,375	20,048,117
CURRENT ASSETS			
Stocks	11	2,442,228	2,610,882
Debtors	12	21,369,591	4,114,480
Cash at bank and in hand		959,447	3,577,316
		24,771,266	10,302,678
CREDITORS			
Amounts falling due within one year	13	(8,779,132)	(3,167,896)
NET CURRENT ASSETS		15,992,134	7,134,782
TOTAL ASSETS LESS CURRENT LIABILITIES		35,838,509	27,182,899
PROVISIONS FOR LIABILITIES	15	(305,593)	(286,912)
NET ASSETS		35,532,916	26,895,987
CAPITAL AND RESERVES			
Called up share capital	16	9,131,928	9,131,928
Capital redemption reserve	17	1,362	1,362
Retained earnings	17	26,399,626	17,762,697
SHAREHOLDERS' FUNDS		35,532,916	26,895,987

The financial statements were approved by the Board of Directors on 10th May 2017 and were signed on its behalf by:

D A Chaplin - Director

The notes form part of these financial statements

Dr Reddy's Laboratories (EU) Limited

Statement of Changes in Equity
for the year ended 31st March 2017

	Called up share capital £	Retained earnings £	Capital redemption reserve £	Total equity £
Balance at 1st April 2015	9,131,928	5,534,280	1,362	14,667,570
Changes in equity				
Total comprehensive income	-	12,228,417	-	12,228,417
Balance at 31st March 2016	9,131,928	17,762,697	1,362	26,895,987
Changes in equity				
Total comprehensive income	-	8,636,929	-	8,636,929
Balance at 31st March 2017	9,131,928	26,399,626	1,362	35,532,916

The notes form part of these financial statements

1. STATUTORY INFORMATION

Dr Reddy's Laboratories (EU) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Financial reporting standard 102 - reduced disclosure exemptions
The company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows.

Turnover
Turnover is the amount derived from ordinary activities, and stated after trade discounts, other sales tax and net of VAT.

Interest received
Interest received is accounted for when it is received.

Royalty income
Royalty income is accounted for when it is received.

Dividends received
Dividends received from subsidiary undertakings are accounted for when they are received.

Goodwill
Goodwill, being the amount paid in connection with the acquisition of a business in 2008, is being amortised evenly over its estimated useful life of ten years.

Intangible assets
The residual value of the patents purchased on 1st May 2008 are being amortised evenly over their estimated useful lives. This varied between 4 and 13 years at the date of purchase.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	-	between 1 and 20 years on cost
Plant and machinery	-	between 1 and 15 years on cost
Fixtures and fittings	-	over 4 years on cost
Computer equipment	-	over 3 years on cost

Investments in subsidiaries
Investments in subsidiary undertakings are recognised at cost.

continued...

2. ACCOUNTING POLICIES - continued

Stocks
Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research, regulatory and development cost
Expenditure on research, regulatory and development cost is written off in the year in which it is incurred.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Trade licences
Expenditure in respect of the renewal of trade licences is charged to the profit and loss account in the year in which it is incurred.

Going concern
The company has the long term support from the group and as a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Directors Report.

continued...

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2017	2016
	£	£
United Kingdom	3,861,147	2,498,313
Rest of Europe	9,152,229	7,050,952
North America	7,836,487	6,669,261
Asia/Pacific	780,492	2,445,217
	21,630,355	18,663,743

4. EMPLOYEES AND DIRECTORS

	2017	2016
	£	£
Wages and salaries	3,798,902	3,645,647

The average monthly number of employees during the year was as follows:

	2017	2016
Recharged from Chirotech Technology Ltd	72	64

	2017	2016
	£	£
Directors' remuneration	-	-

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2017	2016
	£	£
Hire of plant and machinery	43,564	49,051
Depreciation - owned assets	664,125	644,295
Loss on disposal of fixed assets	-	14,773
Goodwill amortisation	101,523	101,523
Patents and licences amortisation	260,538	279,208
Auditors' remuneration	4,500	2,300
Auditors' remuneration for non audit work	6,660	5,700
Foreign exchange differences	(539,787)	(93,843)
Research and development expenditure	894,439	1,072,675

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£	£
Loan interest	8,250	73,409

continued...

7. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2017 £	2016 £
Current tax:		
UK corporation tax	2,179,866	1,415,432
Deferred taxation	18,681	40,893
Tax on profit	2,198,547	1,456,325

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £	2016 £
Profit before tax	10,835,476	13,684,742
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2016 - 20%)	2,167,095	2,736,948
Effects of:		
Expenses not deductible for tax purposes	15,258	18,214
Income not taxable for tax purposes	-	(1,300,000)
Capital allowances in excess of depreciation	(2,487)	(39,730)
Deferred tax	18,681	40,893
Total tax charge	2,198,547	1,456,325

8. INTANGIBLE FIXED ASSETS

	Goodwill £	Patents and licences £	Totals £
COST			
At 1st April 2016 and 31st March 2017	1,015,227	4,178,057	5,193,284
AMORTISATION			
At 1st April 2016	812,182	3,291,758	4,103,940
Amortisation for year	101,523	260,538	362,061
At 31st March 2017	913,705	3,552,296	4,466,001
NET BOOK VALUE			
At 31st March 2017	101,522	625,761	727,283
At 31st March 2016	203,045	886,299	1,089,344

continued...

9. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1st April 2016	1,759,261	7,213,909	165,387	129,560	9,268,117
Additions	4,322	959,569	4,162	32,922	1,000,975
Disposals	-	(176,531)	-	-	(176,531)
At 31st March 2017	1,763,583	7,996,947	169,549	162,482	10,092,561
DEPRECIATION					
At 1st April 2016	560,445	3,374,428	83,035	108,368	4,126,276
Charge for year	65,329	568,392	17,393	13,011	664,125
At 31st March 2017	625,774	3,942,820	100,428	121,379	4,790,401
NET BOOK VALUE					
At 31st March 2017	1,137,809	4,054,127	69,121	41,103	5,302,160
At 31st March 2016	1,198,816	3,839,481	82,352	21,192	5,141,841

10. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1st April 2016 and 31st March 2017	13,816,932
NET BOOK VALUE	
At 31st March 2017	13,816,932
At 31st March 2016	13,816,932

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Dr Reddy's Laboratories (UK) Limited
Registered office: Riverview Road, Beverley, East Yorkshire, HU17 0LD
Nature of business: Manufacture of pharmaceutical products

Class of shares:	% holding
Ordinary	100.00

	2017 £	2016 £
Aggregate capital and reserves	20,869,324	17,174,683
Profit for the year	3,685,103	5,393,041

continued...

10. FIXED ASSET INVESTMENTS - continued

Chirotech Technology Limited
Registered office: Chirotech Technology Centre, 410 Cambridge Science Park, Milton Road, Cambridge, CB4 0PE
Nature of business: Manufacture of pharmaceutical products

Class of shares:	% holding
Ordinary	100.00

	2017	2016
	£	£
Aggregate capital and reserves	10,565,715	7,994,898
Profit for the year	2,570,817	3,090,622

11. STOCKS

	2017	2016
	£	£
Raw materials	389,473	316,097
Packing materials	53,322	32,330
Work-in-progress	1,856,787	1,765,778
Finished goods	142,646	496,677
	2,442,228	2,610,882

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Trade debtors	3,817,145	3,529,248
Amounts owed by group undertakings	1,883,956	-
Other debtors	3,380	2,392
Amount owed by immediate parent	15,347,792	173,238
VAT	243,171	327,384
Prepayments and accrued income	74,147	82,218
	21,369,591	4,114,480

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Trade creditors	555,119	648,849
Amounts owed to group undertakings	6,243,264	726,824
Taxation	1,298,989	1,005,002
Accrued expenses	681,760	787,221
	8,779,132	3,167,896

continued...

14. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2017	2016
	£	£
Within one year	23,328	23,328
Between one and five years	35,308	55,110
In more than five years	4,109	9,040
	62,745	87,478

15. PROVISIONS FOR LIABILITIES

	2017	2016
	£	£
Deferred taxation	305,593	286,912

	Deferred tax
	£
Balance at 1st April 2016	286,912
Provided during year	18,681
Balance at 31st March 2017	305,593

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017 £	2016 £
9,131,928	Ordinary	£1	9,131,928	9,131,928

17. RESERVES

	Retained earnings	Capital redemption reserve	Totals
	£	£	£
At 1st April 2016	17,762,697	1,362	17,764,059
Profit for the year	8,636,929		8,636,929
At 31st March 2017	26,399,626	1,362	26,400,988

18. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Dr Reddy's Laboratories Limited, a company registered in India. The group financial statements are available to the public and may be obtained from Door No 8-2-337, Road No 3, Banjara Hills, Hyderabad - 500034, India .

The company's immediate parent company is Dr Reddy's Laboratories SA, a company registered in Switzerland. The group financial statements are available to the public and may be obtained from , Elisabethenanlage 11 CH, 4051 Basel, Switzerland.

continued...

19. RELATED PARTY DISCLOSURES

At the balance sheet date, the company was owed amounts from the following related parties:

	31/3/17	31/3/16
	£	£
Dr Reddy's Laboratories Limited	Nil	67,700
Industrias Quimicas Falcon	Nil	3,206
Dr Reddy's Laboratories Inc	1,883,956	Nil
Dr Reddy's SA	15,347,792	173,238

At the balance sheet date, the company owed amounts to the following related parties:

	31/3/17	31/3/16
	£	£
Industrias Quimicas Falcon	Nil	29,883
Dr Reddy's Laboratories Limited	Nil	137,133
Dr Reddys SA	Nil	Nil

During the year the company made sales on normal commercial terms to the following related parties:

	31/3/17	31/3/16
	£	£
Dr Reddy's Laboratories Inc	1,705,308	141,812
Dr Reddy's Laboratories Limited	407,159	1,918,214

During the year the company made management recharges to the following related parties:

	31/3/17	31/3/16
	£	£
Industrias Quimicas Falcon	Nil	Nil
Dr Reddy's Laboratories Limited	Nil	Nil

During the year the company made purchases on normal commercial terms from the following related parties:

	31/3/17	31/3/16
	£	£
Dr Reddy's Laboratories Limited	504,644	361,382
Dr Reddy's SA	Nil	3,889
Industrias Quimicas Falcon	22,851	Nil

During the year the company received royalty income from it's immediate parent company Dr Reddy's Laboratories SA of £339,891 (2016 - £547,975) and at the balance sheet date £180,498 of this was still outstanding (2016 - £173,238).

The inter company transactions were made on normal commercial terms.

20. POST BALANCE SHEET EVENTS

Following a review, it has been proposed that the entire assets of Chirotech are sold to its parent company Dr Reddy's Laboratories (EU) Limited with effect from April 1st 2017. The Directors are in agreement that this transfer is in the best interests of the company provided that certain conditions are met. All existing activities would be expected to continue under the new ownership.

Trading and Profit and Loss Account
for the year ended 31st March 2017

	2017		2016	
	£	£	£	£
Turnover				
Sales	21,278,882		18,097,749	
Royalty income	351,473		565,994	
		21,630,355		18,663,743
Cost of sales				
Purchases	2,312,050		2,810,022	
Plant repairs	820,461		503,854	
Hazardous waste	131,538		116,837	
Laboratory costs	155,150		181,642	
Research and development	894,439		1,072,675	
Royalty payment	190,738		-	
Wages	3,798,902		3,645,647	
Other employee costs	208,573		148,352	
Intercompany recharges	-		25,781	
Commission	-		(821)	
		8,511,851		8,503,989
GROSS PROFIT		13,118,504		10,159,754
Other income				
Other income	150		150	
Exchange gains	539,787		93,843	
Shares in group undertakings	-		6,500,000	
Deposit account interest	80,151		715	
Corporation tax interest received	214		1,002	
		620,302		6,595,710
		13,738,806		16,755,464
Expenditure				
Carriage	39,786		55,131	
Legal, regulatory and licence fees	106,367		99,201	
Rates and water	226,078		240,861	
Rent	1,133		1,012	
Insurance	74,383		71,355	
Light and heat	668,330		678,763	
Hire of plant and machinery	43,564		49,051	
Telephone	22,266		20,701	
Postage and stationery	30,605		30,829	
Travelling	59,832		37,518	
Computer expenses	42,779		2,448	
Repairs and renewals	313,499		406,875	
Workwear rental and cleaning	133,517		124,127	
Sundry expenses	2,901		6,689	
Subscriptions	9,232		15,624	
Legal and professional fees	65,071		90,183	
Auditors' remuneration	4,500		2,300	
Auditors' remuneration for non audit work	6,660		5,700	
Amortisation of intangible fixed assets	362,061		380,731	
Depreciation of tangible fixed assets	664,125		644,295	
Carried forward	2,876,689	13,738,806	2,963,394	16,755,464

This page does not form part of the statutory financial statements

Trading and Profit and Loss Account
for the year ended 31st March 2017

	2017		2016	
	£	£	£	£
Brought forward	2,876,689	13,738,806	2,963,394	16,755,464
Bank charges	18,391		19,146	
Loan interest	8,250		73,409	
Freehold property	-		14,773	
		2,903,330		3,070,722
NET PROFIT		10,835,476		13,684,742

This page does not form part of the statutory financial statements

Independent Auditors' Report

To the Members of **Dr. Reddy's Laboratories (Proprietary) Limited**

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories (Proprietary) Limited**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

Dr. Reddy's Laboratories (Proprietary) Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	16,011	19,663	26,877
Other Intangible Assets	2.1	870	900	409
Other Non current Assets	2.2	29,467	32,322	12,000
Deferred tax assets (net)		3,457	1,382	5,100
Total non current assets		**49,805**	**54,267**	**44,386**
Current assets				
Inventories	2.3	311,706	285,810	252,600
Financial assets				
Trade receivables	2.4	298,264	240,807	236,300
Cash and cash equivalents	2.5	82,942	95,543	97,600
Loans	2.6	2,442	3,490	139,900
Other current assets	2.7	40,468	61,450	22,200
Total current assets		**735,822**	**687,100**	**748,600**
Total assets		**785,627**	**741,367**	**792,986**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.8	-	-	-
Other equity				
Retained earnings		152,157	181,978	126,500
Total equity		**152,157**	**181,978**	**126,500**
Current liabilities				
Financial Liabilities				
Trade payables	2.9	591,077	538,116	489,500
Other current financial liabilities	2.10	19,193	21,273	176,986
Other current liabilities	2.11	23,200	-	-
Total Liabilities		**633,470**	**559,389**	**666,486**
Total equity and liabilities		**785,627**	**741,367**	**792,986**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Proprietary) Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

Dr. Reddy's Laboratories (Proprietary) 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 2017	For the year ended 31 March 2016
Revenue from operations	2.12	1,241,188	1,163,680
Other Income	2.13	8,617	21,128
Total Income		**1,249,805**	**1,184,808**
Expenses			
Cost of material consumed		554,955	519,501
Employee benefits expense	2.14	346,957	304,791
Depreciation and amortisation expense	2.15	6,279	7,504
Finance costs	2.16	2,037	1,872
Other expenses	2.17	350,896	280,187
Total expense		**1,261,124**	**1,113,855**
(Loss)/Profit before tax		**(11,319)**	**70,953**
Income tax expense	2.18	18,502	15,473
Loss for the year		**(29,821)**	**55,480**
Earnings per share			
Basic - Par value Rand 1 per share		(298,210.00)	554,800.00
Diluted - Par value Rand 1 per share		(298,210.00)	554,800.00
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Proprietary) Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

Dr. Reddy's Laboratories (Proprietary) Limited

Cash Flow Statement

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

	For the year ended 31 March 2017	For the year ended 31 March 2016
Operating activities		
(Loss)/Profit before taxation	(11,319)	70,953
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	6,279	7,504
Finance costs	2,037	1,872
Interest Income	(8,279)	(6,826)
Net foreign exchange differences	10,297	(17,521)
Provision/(reversal of provision) for doubtful debts,net	3,281	(1,893)
Operating cash flows before working capital changes	**2,296**	**54,089**
Working capital adjustments:		
Trade and other receivables	(41,411)	(33,256)
Inventories	(25,896)	(33,210)
Trade and other payables	11,188	77,900
Other assets & liabilities,net	53,449	(26,458)
	(374)	**39,065**
Income tax paid	(22,993)	(33,033)
Net cash flows from operating activities	**(23,367)**	**6,032**
Net cash flows used in investing activities		
Purchase of tangible and intangible assets	(2,597)	(792)
Interest received	8,279	6,826
	5,682	**6,034**
Net cash flows from/ (used in) financing activities		
Interest expense	**(2,037)**	**(1,872)**
Net increase / (decrease) in cash and cash equivalents	(19,722)	10,194
Cash and cash equivalents at the beginning of the year	95,543	97,600
Effect of foreign exchange loss on cash and cash equivalents	7,121	(12,251)
Cash and cash equivalents at the end of the year	**82,942**	**95,543**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	82,942	95,543
Cash and bank balances at the end of the year	**82,942**	**95,543**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Proprietary) Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

Dr. Reddy's Laboratories (Proprietary) Limited

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2015	**100**	**-**	**126,500**	**126,500**
Shares issued during the year	-	-	-	-
Profit for the period	-	-	55,480	55,480
Balance as of 31 March 2016	**100**	**-**	**181,978**	**181,980**
Loss for the period	-	-	(29,821)	(29,821)
Balance as of 31 March 2017	**100**	**-**	**152,157**	**152,159**

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Proprietary) Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)
These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

For this purpose, the Company follows ‘simplified approach’ for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical

Dr. Reddy's Laboratories (Proprietary) Limited
Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern
The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions
a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Purchases and services from holding company or other group companies:		
Dr. Reddy's Laboratories Limited	542,574	512,500

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

Particulars	As at 31 March 2017	As at 31 March 2016
Due to holding company and other group companies(included in trade payables):		
Dr. Reddy's Laboratories Limited	533,842	472,531
Due from holding company and other group companies(included in trade receivables):		
Dr. Reddy's Laboratories Limited	706	3,396

1.3 Taxation

a. Current Taxes
The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the company.

b. Deferred Taxes
The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

Particulars	As at 31 March 2016	As at 31 March 2015
Deferred tax assets / (liabilities)		
Current liabilities and provisions	(3,039)	(3,125)
Property, plant and equipment	657	786
Inventory	1,013	3,395
Trade receivables	4,826	326
Deferred tax asset,net	**3,457**	**1,382**

1.4 Provisions, Contingent Liabilities and Contingent Assets
Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.6 The company, incorporated in South Africa, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

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

Note 2: Notes to financial statements

2.1 : Property, plant and equipment

Description	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01.04.2016	Additions	Disposals	As at 31.03.2017	As at 01.04.2016	For the year	Disposals	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Lease hold improvements	12,971	-	-	12,971	6,782	1,222	-	8,004	4,967	6,189
Vehicles	6,789	-	890	5,899	3,799	880	893	3,786	2,113	2,990
Furniture and fixtures and office equipment	28,144	2,623	149	30,618	17,659	4,177	150	21,687	8,931	10,484
Total tangible assets (A)	**47,904**	**2,623**	**1,039**	**49,488**	**28,241**	**6,279**	**1,043**	**33,477**	**16,011**	**19,663**
Intangibles	6,435	-	3,247	3,187	5,534	-	3,217	2,317	870	900
Total intangible assets (B)	**6,435**	**-**	**3,247**	**3,187**	**5,534**	**-**	**3,217**	**2,317**	**870**	**900**
Total (A+B)	**54,339**	**2,623**	**4,286**	**52,675**	**33,776**	**6,279**	**4,260**	**35,794**	**16,881**	**20,563**

Description	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01.04.2015	Additions	Disposals	As at 31.03.2016	As at 01.04.2015	For the year	Disposals	As at 31.03.2016	As at 31.03.2016	As at 01.04.2015
Lease hold improvements	12,971	-	-	12,971	4,656	2,126	-	6,782	6,189	8,315
Vehicles	6,789	-	-	6,789	2,706	1,092	-	3,799	2,990	4,083
Furniture and fixtures and office equipment	27,853	290	-	28,144	13,374	4,285	-	17,659	10,484	14,479
Total tangible assets (A)	**47,614**	**290**	**-**	**47,904**	**20,737**	**7,504**	**-**	**28,241**	**19,663**	**26,877**
Intangibles	5,943	491	-	6,435	5,534	-	-	5,534	900	409
Total intangible assets (B)	**5,943**	**491**	**-**	**6,435**	**5,534**	**-**	**-**	**5,534**	**900**	**409**
Total (A+B)	**53,557**	**782**	**-**	**54,339**	**26,271**	**7,504**	**-**	**33,775**	**20,563**	**27,286**

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

Note 2: Notes to the financial statements

2.2 : Other non current assets	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Advance income taxes	29,467	32,322	12,000
	29,467	**32,322**	**12,000**

2.3 : Inventories	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Stock-in-trade (goods acquired for trading)	311,706	285,810	252,600
	311,706	**285,810**	**252,600**

Financial Assets

2.4 : Trade receivables	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Unsecured,considered good			
Receivable from holding company and other group companies	706	3,396	28,500
Receivable from Others	307,765	244,063	217,700
Less: Allowances for credit losses	(10,207)	(6,652)	(9,900)
	298,264	**240,807**	**236,300**

2.5 : Cash and cash equivalents	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Balances with banks:			
- On current accounts	82,937	64,028	92,500
- Deposit accounts (original maturity less than three months)	5	31,500	5,100
Cash on hand	-	15	-
	82,942	**95,543**	**97,600**

2.6 : Loans and Advances	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Other advances	2,442	3,490	139,900
	2,442	**3,490**	**139,900**

Other Assets

2.7 : Other assets	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Advances to employees	1,949	1,375	1,400
Prepaid expenses	17,906	25,346	17,100
Balance with statutory agencies	20,613	31,378	-
Other assets	-	3,351	3,700
	40,468	**61,450**	**22,200**

Dr. Reddy's Laboratories (Proprietary) Limited

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

2.8 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
100 (31 March 2016 : 100;1 April 2015: 100) ordinay shares of Rand 1 each*	-	-	-
Issued equity capital			
100 (31 March 2016 : 100;1 April 2015: 100) ordinay shares of Rand 1 each*	-	-	-
Subscribed and fully paid-up			
100 (31 March 2016 : 100;1 April 2015: 100) ordinay shares of Rand 1 each*	-	-	-
	-	-	-

* represents amount authorised, issued and paid-up ₹472 (rounded off in thousands).

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

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	No.of shares	Amount	No.of shares	Amount	No.of shares	Amount
Number of shares outstanding at the beginning of the year	100	-	100	-	100	-
Shares issued during the year						
Number of shares outstanding at the end of the year	**100**	**-**	**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 2017		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares	No.of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	100	100%	100	100%	100	100%

FINANCIAL LIABILITIES

2.9 : Trade Payables	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Payables to holding company and other group companies	533,842	472,531	408,500
Payables to others	57,235	65,585	81,000
	591,077	**538,116**	**489,500**

2.10: Other current financial liabilities	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Accrued expenses	16,850	17,470	17,900
Deferred Revenue	2,343	3,790	1,400
Other current liabilities	-	13	157,686
	19,193	**21,273**	**176,986**

OTHER LIABILITIES

2.11 : Other Current Liabilities	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Salary & Bonus payable	23,200	-	-
	23,200	**-**	**-**

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

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.12 : Revenue from operations		
Sales	1,239,625	1,162,963
License Fees	1,563	717
	1,241,188	**1,163,680**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.13 : Other income		
Interest income		
On fixed deposits	8,279	6,826
Other operating revenues	338	-
Foreign exchange gain,net	-	14,302
	8,617	**21,128**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.14 : Employee benefits expense		
Salaries, wages and bonus	337,568	302,783
Contribution to provident and other funds	9,389	2,008
	346,957	**304,791**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.15 : Finance costs		
Interest on long term borrowings	2,037	1,872
	2,037	**1,872**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.16 : Depreciation and amortisation expense		
Depreciation of tangible assets	6,279	7,504
	6,279	**7,504**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.17 : Other expenses		
Legal and professional	6,300	8,249
Selling expenses	248,215	188,888
Travelling and conveyance	11,735	11,842
Communication	6,555	11,892
Rent	20,996	20,195
Insurance	5,111	4,124
Foreign exchange loss, net	11,907	-
Other general expenses	40,077	34,997
	350,896	**280,187**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.18 : Tax expense		
Current tax expense	20,138	12,713
Deferred tax expense	(1,636)	2,760
	18,502	**15,473**

Independent Auditors' Report

To the Members of **Dr. Reddy's Laboratories (UK) Limited.**

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories (UK) Limited**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	1,269	1,387	1,340
Capital Work in progress		170	158	11
Other Intangible Assets	2.1	409	81	187
Deferred tax assets (net)		213	232	213
Total non current assets		**2,061**	**1,858**	**1,751**
Current assets				
Inventories	2.2	7,026	4,101	3,516
Financial assets				
Investments		-	8,324	2,500
Trade receivables	2.3	10,889	6,841	12,699
Cash and cash equivalents	2.4	2,160	664	1,184
Loans	2.5	9,109	67	2,318
Other current assets	2.6	189	183	356
Total current assets		**29,373**	**20,180**	**22,573**
Total assets		**31,434**	**22,038**	**24,324**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.7	1	1	1
Other equity				
Retained earnings		16,246	14,843	15,268
Other reserves		286	286	286
Total equity		**16,533**	**15,130**	**15,555**
Non current liabilities				
Financial Liabilities				
Borrowings	2.8	2	2	2
Current liabilities				
Financial Liabilities				
Trade payables	2.9	11,110	3,171	3,905
Other current financial liabilities	2.10	2,096	2,271	1,370
Other current liabilities	2.11	1,693	1,464	3,494
Total Liabilities		**14,899**	**6,906**	**8,769**
Total equity and liabilities		**31,434**	**22,038**	**24,324**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (UK) Limited**

PSRVV Surya Rao
Partner
Membership No. 202367

M V Narasimham
Director

Subir Kohli
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Revenue from operations	2.12	32,058	33,209
Other Income	2.13	763	720
Total Income		**32,821**	**33,929**
Expenses			
Cost of material consumed		20,771	18,046
Employee benefits expense	2.14	3,001	3,326
Depreciation and amortisation expense	2.15	290	565
Other expenses	2.16	6,550	4,644
Total expense		**30,612**	**26,581**
Profit before tax		**2,209**	**7,348**
Tax expense	2.17	806	1,388
Profit for the year		**1,403**	**5,960**
Earnings per share			
Basic - Par value GBP 1 per share		140,295.14	595,991.17
Diluted - Par value GBP 1 per share		140,295.14	595,991.17
Significant accounting policies	1		

The accompanying notes are 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 of **Dr. Reddy's Laboratories (UK) Limited**

PSRVV Surya Rao
Partner
Membership No. 202367

M V Narasimham
Director

Subir Kohli
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
Profit before taxation	2,209	7,348
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	290	565
Interest Income	(147)	(112)
Allowances for sales returns	(67)	(133)
Net foreign exchange differences	1,413	(268)
Provision for inventory obsolescence	1,406	250
Provision/(reversal of provision) for doubtful debts,net	67	(5)
Operating cash flows before working capital changes	**5,171**	**7,645**
Working capital adjustments:		
Increase in trade and other receivables and prepayments	(5,557)	6,433
Decrease in inventories	(4,331)	(834)
Increase in trade and other payables	8,864	(1,615)
Increase in other assets & liabilities,net	334	46
	4,481	**11,675**
Income tax paid	(962)	(1,784)
Net cash flows from operating activities	**3,519**	**9,891**
Net cash flows used in investing activities		
Purchase of tangible and intangible assets	(512)	(640)
Loans and advances repaid by/(given to) holding company and other group companies,net	(9,608)	2,537
Redemption of/(Investment made in) fixed deposits(having original maturity more than 3 months)	8,324	(5,980)
	(1,796)	**(4,083)**
Net cash flows from/ (used in) financing activities		
Dividend paid	-	(6,385)
	-	**(6,385)**
Net increase / (decrease) in cash and cash equivalents	1,723	(577)
Cash and cash equivalents at the beginning of the year	664	1,184
Effect of foreign exchange loss on cash and cash equivalents	(226)	57
Cash and cash equivalents at the end of the year	**2,161**	**664**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	2,160	664
Cash and bank balances at the end of the year	**2,160**	**664**

The accompanying notes are 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 of **Dr. Reddy's Laboratories (UK) Limited**

PSRVV Surya Rao
Partner
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M V Narasimham
Director

Subir Kohli
Director

Place: Hyderabad
Date: 9 May 2017

Dr. Reddy's Laboratories (UK) Limited

Statement of Changes in Equity

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

2.9 Total equity

Particulars	Share Capital		Other Equity		Total Equity
	Shares	Amount	Other Reserves	Retained Earnings	
Balance as of 1 April 2015	**1,000**	**1**	**286**	**15,268**	**15,555**
Profit for the period	-	-	-	5,960	5,960
Dividends paid	-	-	-	(6,385)	(6,385)
Balance as of 31 March 2016	**1,000**	**1**	**286**	**14,843**	**15,130**
Profit for the period	-	-	-	1,403	1,403
Balance as of 31 March 2017	**1,000**	**1**	**286**	**16,246**	**16,533**

As per our report of even date attached

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

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (UK) Limited**

PSRVV Surya Rao
Partner
Membership No. 202367

M V Narasimham
Director

Subir Kohli
Director

Place: Hyderabad
Date: 9 May 2017

Dr. Reddy’s Laboratories (UK) Limited

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company’s financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company’s normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company’s normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.
Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
Current asset / liabilities include the current portion of non current asset / liabilities respectively. All other asset / liabilities are classified as non current.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial assets
All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.
Financial liabilities
Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.
Investments in Subsidiaries:
Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.
Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.
Income tax
Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories
Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.
Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment of trade receivables
In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.
For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.
As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Other intangible assets
Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.
Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate.

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognised immediately in the statement of profit and loss.

Amortisation
Amortisation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortised from the date they are available for use.

Dr. Reddy’s Laboratories (UK) Limited

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest income from holding company and other group companies:		
Dr. Reddy’s Laboratories(EU) Limited	31	45
Purchases and services from holding company and other group companies:		
Dr. Reddy’s Laboratories Limited	12,266	11,608
Dr. Reddy’s Laboratories SA	-	5
Industrias Quimicas Falcon de Mexico SA de CV	141	193
Sales and services rendered to holding company and other group companies:		
betapharm Arzneimittel GmbH	96	323
Dr. Reddy’s Laboratories SA	135	72
Dr. Reddy’s SRL	263	3
Reddy Pharma Iberia SA	258	-
Reddy Pharma SAS	82	

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

Particulars	As at 31 March 2017	As at 31 March 2016
Due from holding company and other group companies (included in other current financial assets and trade receivables):		
Dr. Reddy’s Laboratories Limited	-	10
Reddy Pharma Iberia SA	232	-
betapharm Arzneimittel GmbH	58	-
Dr. Reddy’s SRL	259	-
Reddy Pharma SAS	81	-
Dr. Reddy’s Laboratories SA	9,240	73
Due to holding company and other group companies (included in trade payables,other current financial liabilities and borrowings):		
Dr. Reddy’s Laboratories Limited	7,359	2,116
Dr. Reddy’s Laboratories(EU) Limited	2	2
Chirotech Technology Limited	8	-

1.3 Taxation

a. Current Taxes

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

b. Deferred Taxes

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

Particulars	As at 31 March 2017	As at 31 March 2016
Deferred tax assets / (liabilities)		
Trade receivables	14	19
Current liabilities	15	16
Property, plant and equipment	184	197
Deferred tax asset, net	**213**	**232**

1.4 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as previously reported under Previous GAAP and that compared under Ind AS :

Particulars	As at 1 April 2015	As at 31 March 2016
Equity as per Indian GAAP	15,579	15,154
Adjustments:		
Impairment of trade receivables due to expected credit loss model	(24)	(24)
Equity as per Ind AS	**15,555**	**15,130**

1.6 The company, incorporated in United Kingdom, is a 100% subsidiary of Dr. Reddy's Laboratories(EU) Limited.

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

Note 2: Notes to financial statements (continued)

2.1 : Property, plant and equipment and Intangible Assets

	Gross Block				Depreciation				Net Block	
Description	**As at 01.04.2016**	**Additions**	**Disposals**	**As at 31.03.2017**	**As at 01.04.2016**	**For the year**	**Disposals**	**As at 31.03.2017**	**As at 31.03.2017**	**As at 31.03.2016**
Land	152	-	-	152	-	-	-	-	152	152
Building	1,773	-	-	1,773	568	112	-	680	1,093	947
Plant and machinery	2,110	123	-	2,233	2,110	123	-	2,233	-	218
Leasehold improvements	173	-	-	173	173	-	-	173	-	-
Furniture and fixtures and office equipment	505	20	-	524	474	27	-	500	24	31
Total tangible assets (A)	**4,712**	**143**	**-**	**4,856**	**3,325**	**262**	**-**	**3,587**	**1,269**	**1,387**
Intangibles	682	356	-	1,037	601	28	-	628	409	81
Total intangible assets (B)	**682**	**356**	**-**	**1,037**	**601**	**28**	**-**	**628**	**409**	**81**
Total (A+B)	**5,395**	**499**	**-**	**5,894**	**3,926**	**290**	**-**	**4,216**	**1,678**	**1,468**

	Gross Block				Depreciation				Net Block	
Description	**As at 01.04.2015**	**Additions**	**Disposals**	**As at 31.03.2016**	**As at 01.04.2015**	**For the year**	**Disposals**	**As at 31.03.2016**	**As at 31.03.2016**	**As at 01.04.2015**
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**	**1,387**	**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**	**1,468**	**1,527**

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

Note 2: Notes to the financial statements

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Inventories			
(Valued on weighted average basis)			
Finished goods (at lower of cost and net realisable value)	6,768	3,903	3,320
Packing materials	258	198	196
	7,026	**4,101**	**3,516**

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Trade receivables			
(Unsecured,considered good)			
Receivable from holding company and other group companies	761	73	-
Receivable from Others	10,210	6,831	12,789
Less: Allowances for credit losses	(82)	(63)	(90)
	10,889	**6,841**	**12,699**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	176	663	1,183
- Deposit accounts (original maturity less than three months)	1	-	-
Cash on hand	1,983	1	1
	2,160	**664**	**1,184**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.5 : Loans and Advances			
Adavnces given to holding company and other group companies	9,109	67	2,318
	9,109	**67**	**2,318**

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.6 : Other current assets			
Prepaid expenses	36	24	24
Other assets	153	159	332
	189	**183**	**356**

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

Note 2: Notes to the financial statements

2.7 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
1,000 (31 March 2016 : 1,000; 1 April 2015 : 1,000) shares of GBP 1 each	1	1	1
Issued equity capital			
1,000 (31 March 2016 : 1,000; 1 April 2015 : 1,000) shares of GBP 1 each	1	1	1
Subscribed and fully paid-up			
1,000 (31 March 2016 : 1,000; 1 April 2015 : 1,000) shares of GBP 1 each	1	1	1
	1	**1**	**1**

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

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	No.of shares	Amount	No.of shares	Amount	No.of shares	Amount
Number of shares outstanding at the beginning of the year	1,000	1	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**	**1,000**	**1**

(b) **Terms/rights attached to equity shares**
The company has only one class of ordinary 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 2017		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares	No.of equity shares	% of equity shares
Dr. Reddy’s Laboratories (EU) Limited	1,000	100%	1,000	100%	1,000	100%

FINANCIAL LIABILITIES

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.8 : Non Current Borrowings			
Borrowings from holding/other group companies	2	2	2
	2	**2**	**2**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.9 : Trade Payables			
Payables to holding company and other group companies	7,359	2,116	2,051
Payables to others	3,751	1,055	1,854
	11,110	**3,171**	**3,905**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.10 : Other financial liabilities			
Accrued expenses	2,088	2,176	1,370
Other current liabilities	8	95	-
	2,096	**2,271**	**1,370**

Other Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.11 : Other Current Liabilities			
Salary & Bonus payable	207	291	269
Deferred Revenue	133	257	401
Due to statutory authorities	883	252	1,226
Advance from customers	18	26	63
Other liabilities	30	-	407
Income taxes payable	386	525	866
Allowance for sales return	36	113	262
	1,693	**1,464**	**3,494**

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

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.12 : Revenue from operations		
Sales	31,852	33,028
Service Income	40	-
License Fee	166	181
	32,058	**33,209**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.13 : Other income		
Interest income		
On fixed deposits	147	112
Other operating revenues	616	6
Foreign exchange gain,net	-	602
	763	**720**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.14 : Employee benefits expense		
Salaries, wages and bonus	3,001	3,326
	3,001	**3,326**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.15 : Depreciation and amortisation expense		
Depreciation and amortisation expense	290	565
	290	**565**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.16 : Other expenses		
Legal and professional	2,055	1,145
Selling expenses	1,087	690
Travelling and conveyance	213	208
Rates and taxes	1,970	1,843
Rent	28	89
Repairs and maintenance	316	274
Foreign exchange loss, net	15	-
Other general expenses	866	395
	6,550	**4,644**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.17 : Tax expense		
Current tax expense	823	1,401
Deferred tax benefit	(17)	(13)
	806	**1,388**

KPMG

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Independent Auditors' Report

The Board of Directors
Dr. Reddy's Laboratories Limited

We have audited the accompanying statements of financial position of Dr. Reddy's Laboratories Inc., as of March 31, 2017 and 2016 and the related income statements, statements of comprehensive income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dr. Reddy's Laboratories Inc., as of March 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

As discussed in Note 2 to the financial statements, the Company has changed its basis of accounting to IFRS during the year ended March 31, 2017. Consequently, the Company's financial statements for 2016 referred to above have been restated to conform to IFRS. Prior to adoption of IFRS, the Company prepared financial statements in accordance with accounting principles generally accepted in India ("Indian GAAP").

Indian GAAP varies in certain significant respects from IFRS. Information relating to the nature and effect of such differences are presented in Note 2 to the financial statements.

KPMG

Hyderabad, India

May 12, 2017

DR. REDDY'S LABORATORIES INC.

Financial Statements

March 31, 2017 and March 31, 2016

DR. REDDY'S LABORATORIES INC.

Financial Statements

March 31, 2017 and March 31, 2016

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DR. REDDY'S LABORATORIES INC.
STATEMENT OF FINANCIAL POSITION
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

		As of	
PARTICULARS	**Note**	**March 31, 2017**	**March 31, 2016**
ASSETS			
Current assets			
Cash and cash equivalents	11	221,090	1,221,017
Trade and other receivables	9	306,600,924	375,821,583
Inventories	8	137,038,267	133,661,105
Current tax assets		5,862,316	819,208
Other current assets	10	267,694,092	217,932,566
Total current assets		**717,416,689**	**729,455,479**
Non-current assets			
Property, plant and equipment	5	8,608,056	8,935,386
Goodwill	6	3,291,000	3,291,000
Other intangible assets	7	26,583,830	7,083,191
Deferred tax assets	21	22,006,555	39,332,784
Other investments- non- current	31	84,845,900	109,845,900
Other non-current assets	10	3,166,978	3,890,302
Total non-current assets		**148,502,319**	**172,378,563**
Total assets		**865,919,008**	**901,834,042**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	447,279,624	552,426,889
Provisions	13	36,629,859	45,589,018
Other current liabilities	15	89,361,916	87,572,578
Bank overdraft	11	1,332,097	-
Total current liabilities		**574,603,496**	**685,588,485**
Non-current liabilities			
Other non-current liabilities	15	2,858,384	3,770,342
Total non-current liabilities		**2,858,384**	**3,770,342**
Total liabilities		**577,461,880**	**689,358,827**
Equity			
Share capital	12	14,010,000	14,010,000
Share premium		20,000,000	20,000,000
Treasury Stock		(14,000,000)	(14,000,000)
Share based payment reserve		10,098,828	8,875,850
Other components of equity		258,348,300	183,589,365
Total equity		**288,457,128**	**212,475,215**
Total liabilities and equity		**865,919,008**	**901,834,042**

The accompanying notes form an integral part of these financial statements.

DR. REDDY’S LABORATORIES INC.
INCOME STATEMENT
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	Note	For the year ended March 31, 2017	March 31, 2016
Revenues	17	985,270,917	1,156,690,050
Cost of revenues		834,669,973	1,001,581,218
Gross profit		**150,600,944**	**155,108,832**
Selling, general and administrative expenses		95,230,552	85,896,740
Research and development expenses		19,842,781	25,552,769
Other expense / (income), net	16	33,042,007	(15,966,766)
Total operating expenses		**148,115,340**	**95,482,743**
Results from operating activities		**2,485,604**	**59,626,089**
Finance income	18	(90,180,720)	(9,510)
Finance expense	18	3,021,339	7,562,913
Finance (income)/ expense, net		**(87,159,381)**	**7,553,403**
Profit before income tax		**89,644,985**	**52,072,686**
Income tax expense	21	20,811,186	13,217,232
Profit for the period		**68,833,799**	**38,855,454**

The accompanying notes form an integral part of these financial statements

DR. REDDY'S LABORATORIES INC.

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	For the year ended March 31, 2017	For the year ended March 31, 2016
Profit for the year	**68,833,799**	**38,855,454**
Other comprehensive income		
Items that will not be reclassified to profit or loss:	-	-
Total items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Foreign currency translation adjustments	5,925,135	(5,977,863)
Total items that may be reclassified subsequently to profit or loss	**5,925,135**	**(5,977,863)**
Other comprehensive income for the year, net of income tax	**74,758,934**	**32,877,591**
Total comprehensive income for the year	**74,758,934**	**32,877,591**

The accompanying notes form an integral part of these financial statements.

DR. REDDY'S LABORATORIES INC.
STATEMENT OF CHANGES IN EQUITY
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	Number of Shares	Share Capital	Share premium	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Treasury Stock	Total
Balance as of April 01, 2015 (A)	**1,401,000**	**14,010,000**	**20,000,000**	**7,706,364**	**2,536,879**	**148,174,896**	**(14,000,000)**	**178,428,139**
Total Comprehensive income								
Profit for the period	-	-	-	-	-	38,855,454	-	38,855,454
Foreign currency translation adjustments	-	-	-	-	(5,977,863)	-	-	(5,977,863)
Total Comprehensive income (B)	**-**	**-**	**-**	**-**	**(5,977,863)**	**38,855,454**	**-**	**32,877,591**
Transactions with owners of the Company								
Contributions and distributions								
Share based payment expense	-	-	-	1,169,486	-	-	-	1,169,486
Total contributions and distributions	**-**	**-**	**-**	**1,169,486**	**-**	**-**	**-**	**1,169,486**
Total transactions with owners of the Company (C)								
Balance as of March 31,2016 [(A)+(B)+(C)]	**1,401,000**	**14,010,000**	**20,000,000**	**8,875,850**	**(3,440,984)**	**187,030,350**	**(14,000,000)**	**212,475,216**
Balance as of April 01, 2016 (A)	**`1,401,000**	**14,010,000**	**20,000,000**	**8,875,850**	**(3,440,984)**	**187,030,350**	**(14,000,000)**	**212,475,216**
Total Comprehensive income								
Profit for the period	-	-	-	-	-	68,833,799	-	68,833,799
Foreign currency translation adjustments	-	-	-	-	5,925,135	-	-	5,925,135
Total Comprehensive income (B)	**-**	**-**	**-**	**-**	**5,925,135**	**68,833,799**	**-**	**74,758,934**
Transactions with owners of the Company								
Contributions and distributions								
Share based payment expense	-	-	-	1,222,978	-	-	-	1,222,978
Total contributions and distributions	**-**	**-**	**-**	**1,222,978**	**-**	**-**	**-**	**1,222,978**
Total transactions with owners of the Company (C)								
Balance as of March 31,2017 [(A)+(B)+(C)]	**1,401,000**	**14,010,000**	**20,000,000**	**10,098,828**	**2,484,151**	**255,864,149**	**(14,000,000)**	**288,457,128**

DR. REDDY’S LABORATORIES INC
STATEMENT OF CASH FLOWS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

	For the year ended March 31,	
Particulars	**2017**	**2016**
Cash flows used in operating activities:		
Profit for the year	68,833,799	38,855,454
Adjustments for:		
Income tax expense	20,811,186	13,217,232
Depreciation and amortization	3,596,274	2,442,215
Impairment of intangibles	1,075,892	1,137,335
Allowance for doubtful trade and other receivables	582,965	1,794,361
Dividend income	(90,178,697)	-
Provision for diminution in value of investment	25,000,000	-
Provision for doubtful advances	25,572,981	-
Allowance for sales returns	29,823,549	31,441,012
Inventory write-downs	63,168,447	10,278,284
Interest expense, net	119,020	84,745
Share based payment expense	1,222,978	1,169,487
Changes in operating assets and liabilities:		
Trade and other receivables	64,204,929	(17,979,793)
Inventories	(59,828,111)	33,141,268
Trade and other payables	(93,635,990)	(27,754,530)
Other assets and liabilities	(33,560,763)	(74,332,665)
Cash from operating activities	**26,808,459**	**13,494,405**
Income taxes paid	(3,004,294)	(11,782,492)
Net Cash from operating activities	**23,804,165**	**1,711,913**
Cash flows used in investing activities:		
Expenditure on property, plant and equipment	(4,091,215)	(726,506)
Interest received	2,023	9,510
Expenditure on other intangible assets	(21,918,578)	(2,149,508)
Net cash used in investing activities	**(26,007,770)**	**(2,866,504)**
Cash flows from financing activities:		
Proceeds from short term borrowings	50,000,000	25,000,000
Repayment of short term borrowings	(50,000,000)	(25,000,000)
Interest paid	(121,043)	(94,255)
Net cash used in financing activities	**(121,043)**	**(94,255)**
Net decrease in cash and cash equivalents	(2,324,648)	(1,248,846)
Effect of exchange rate changes in cash and cash equivalents	(7,376)	143,535
Cash and cash equivalents at the beginning of the year	1,221,017	2,326,328
Cash and cash equivalents at the end of the year	**(1,111,007)**	**1,221,017**

1. Reporting entity

Dr. Reddy's Laboratories, Inc, ("the Company"/ "DRI"), was incorporated on May 11, 1992 in the state of New Jersey. The Company is an importer of active pharmaceutical ingredients and chemical intermediary used in the pharmaceutical industry and generic finished dosage drug products for distribution to pharmaceutical wholesalers and retail chains. The Company's customers are primarily located throughout North America.

2. Basis of preparation of financial statements

a. Statement of compliance

These financial statements as at and for the year ended March 31, 2017 have been prepared in accordance with the International Financial Reporting Standards and its interpretations ("IFRS") issued by the International Accounting Standards Board ("IASB"). These are the Company's first IFRS financial statements and IFRS 1, "First-time adoption of International Financial Reporting Standards," has been applied. The transition was carried out from the accounting principles generally accepted in India ("Indian GAAP", referred to herein as "Previous GAAP"), which is considered as the Company's previous GAAP, as defined in IFRS 1.

An explanation of how the transition to IFRS has affected the Company's equity and profit is provided in notes below.

These financial statements have been prepared on the basis of relevant IFRS that are effective or available for early adoption at the Company's first IFRS annual reporting date, March 31, 2017.

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing the opening IFRS equity balance at April 1, 2015 for the purposes of the transition to IFRS, as required by IFRS 1. The accounting policies have been applied consistently.

Explanation of transition to IFRS reporting

As stated in Note 2(A), the Company's financial statements for the year ended March 31, 2017 are the first annual financial statements prepared by the Company to comply with IFRS. The adoption of IFRS was carried out in accordance with IFRS 1, using April 1, 2015 as the transition date. The transition was carried out from Indian GAAP, which was considered the Previous GAAP under IFRS. The effect of adopting IFRS has been summarized in the reconciliations provided below in Note 31.

In preparing these financial statements, the Company has availed itself of certain exemptions and exceptions in accordance with IFRS 1.

A. Exemptions from retrospective application

The following are the exemptions which the Company has opted to apply/not to apply:

i. Business combinations exemption: The Company has applied the exemption as provided in IFRS 1 on non-application of IFRS 3, "Business Combinations" to business combinations consummated prior to April 1, 2015 (the "Transition Date"), pursuant to which goodwill arising from a business combination has been stated at the carrying amount prior to the date of transition under Previous GAAP. The Company has also applied the exemption for past business combinations to acquisitions of investments in associates consummated prior to the Transition Date.

ii. Fair value as deemed cost exemption: The Company has not elected to measure any item of property, plant and equipment at its fair value at the Transition Date; property, plant and equipment have been measured at cost in accordance with IFRS.

2. Basis of preparation of financial statements (continued)

a. Statement of compliance (continued)

iii. Cumulative translation differences exemption: The Company had accumulated the translation differences in a separate component of equity under Previous GAAP. Upon transition to IFRS, the treatment of recording translation differences in equity did not undergo any change and consequently the optional exemption of setting cumulative differences as zero and reclassifying the amount recognized in accordance with Previous GAAP as retained earnings as at the Transition Date was not required to be applied.

iv. Compound financial instruments: The Company did not have any compound financial instrument as of the Transition Date.

v. Share-based payment transaction exemption: Under Previous GAAP, the Company had applied the intrinsic value recognition and measurement principles for all options granted before the Transition Date. Consequently, the Company has elected to apply the exemption as provided in IFRS 1 for all the options granted after November 7, 2002 and are not yet vested as on the Transition date.

vi. Fair value measurement of financial assets or liabilities at initial recognition: The Company has not applied the amendment offered by the revision of IAS 39, "Financial Instruments: Recognition and Measurement", upon the initial recognition of the financial instruments measured at fair value through profit or loss where there is no active market.

vii. Designation of financial assets and financial liabilities exemption: The Company did not have any financial assets or liabilities as of the Transition Date which were required to be designated, and which met the required criteria given in IFRS 1, as a financial asset or financial liability at fair value through profit or loss.

viii. Changes in decommissioning liabilities included in the cost of property, plant and equipment exemption: The Company does not have any material decommissioning, restoration or similar liabilities in the cost of property, plant and equipment. Consequently, this exception is not applicable to the Company.

ix. Leases exemption: The Company does not have any arrangements containing a lease as defined under IFRIC 4, "Determining whether an arrangement contains a lease". Consequently, this exemption is not applicable to the Company.

x. Financial asset or an intangible asset accounted for in accordance with IFRIC 12, Service Concession Arrangements exemption: The Company does not have any arrangements which would be classified as a service concession arrangement under IFRIC 12 "Service Concession Arrangements". Consequently, this exemption is not applicable to the Company.

xi. Insurance contracts: The Company does not issue any insurance contracts. Consequently, this exemption is not applicable to the Company.

B. Exceptions from full retrospective application

i. Derecognition of financial assets and liabilities exception: Financial assets and liabilities derecognized before January 1, 2004 are not re-recognized under IFRS. No arrangements were identified that had to be assessed under this exception.

ii. Hedge accounting exception: The Company has not identified any hedging relationships existing as of the Transition Date. Consequently, this exception, of not reflecting in its opening IFRS statement of financial position a hedging relationship of a type that does not qualify for hedge accounting under IAS 39, is not applicable to the Company.

2. Basis of preparation of financial statements (continued)

a. Statement of compliance (continued)

iii. Estimates exception: Upon an assessment of the estimates made under Previous GAAP, the Company has

concluded that there was no necessity to revise such estimates under IFRS, except where estimates were required by IFRS and not required by Previous GAAP.

iv. Assets classified as held for sale and discontinued operations: The Company did not have any assets classified as held for sale, and therefore this exception is not applicable.

C. Reconciliations

The accounting policies as stated above have been applied in preparing the financial statements for the year ended March 31, 2017, the comparative information for the year ended March 31, 2016 and the opening IFRS equity at April 1, 2015. In preparing its opening IFRS equity and the comparative financial information for the year ended March 31, 2016, the Company has adjusted amounts reported previously in its financial statements prepared in accordance with Previous GAAP.

An explanation of how the transition from Previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

i. Reconciliation of equity

ii. Reconciliation of profit for the period

These reconciliations have been given in Note 31

These standalone financial statements were authorized for issuance by the Company's Board of Directors on **May 12, 2017.**

b. Basis of measurement

These financial statements have been prepared on the historical cost convention and on an accrual basis.

c. Functional and presentation currency

The Company operates as marketing arm of Dr. Reddy's Laboratories Limited ("the ultimate parent company") and the operations of DRI are largely restricted to import of finished goods from the ultimate parent company in India, sale of these products in North America and remittance of the sale proceeds to the ultimate parent. The cash flows realized from sale of goods are readily available for remittance to the ultimate parent company and cash is remitted to the parent company on a regular basis. The costs incurred by DRI are primarily the cost of goods imported from the ultimate parent. The financing of the Company is done directly or indirectly by the ultimate parent company and hence the functional currency has been determined to be the functional currency of the ultimate parent company, i.e. the Indian rupee.

The assets and liabilities of the Company are translated into U.S. Dollar (USD), being the reporting currency, at the rate of exchange prevailing at the balance sheet date. Revenues and expenses are translated into U.S. Dollar at average monthly exchange rates prevailing during the year. Resulting translation adjustment is included in Foreign Currency Translation Reserve (FCTR).

2. Basis of preparation of financial statements (continued)

d. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 2 (c) & 3 (a) — Assessment of functional currency for foreign operations;
- Note 3(b) and 23 — Financial instruments;
- Note 3(d) — Useful life of property plant and equipment;
- Note 3(e) — Useful life of intangible assets;
- Note 3(g) — Valuation of inventories;
- Note 3(h) — Measurement of recoverable amounts of cash-generating units;
- Note 3(i) — Provisions;
- Note 3(j) — Sales returns, rebates and charge back provisions;
- Note 3(l) — Evaluation of recoverability of deferred tax assets;
- Note 3(m) — Share-based payment transactions;
- Note 3(o) — Business Combinations;
- Note 26 — Contingencies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

a. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of entities within the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the income statement in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

3. Significant accounting policies (continued)

a. Foreign currency (continued)

Foreign operations

Foreign exchange gains and losses arising from a monetary item receivable from a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income/ (loss) and presented within equity as a part of foreign currency translation reserve (“FCTR”).

b. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments consist of trade and other receivables, cash and cash equivalents, trade and other payables and certain other assets and liabilities.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs, except for those instruments that are designated as being fair value through profit and loss upon initial recognition. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand. Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is expected within one year or within the normal operating cycle of the business.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are classified as current assets if the collection is expected within one year or within the normal operating cycle of the business.

Others

Other non-derivative financial instruments are initially recognized at fair value. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method, less any impairment losses.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right and ability to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

c. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognized as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

3. Significant accounting policies (continued)

d. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other (income/expense, net)" in income statement.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in income statement as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognized in income statement on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expenses is included in the costs of the functions using the asset. Land is not depreciated.

Leasehold improvements are depreciated over period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	25 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Software for internal use, which is primarily acquired from third-party vendors and which is an integral part of a tangible asset, including consultancy charges for implementing the software, is capitalized as part of the related tangible asset. Subsequent costs associated with maintaining such software are recognised as expense as incurred. The capitalized costs are amortized over the estimated useful life of the software or the remaining useful life of the tangible fixed asset, whichever is lower.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

3. Significant accounting policies (continued)

e. Goodwill and other Intangible assets

Goodwill

Goodwill represents the excess of consideration transferred, together with the amount of non-controlling interest in the acquiree, over the fair value of the Company's share of identifiable net assets acquired. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying value of the equity accounted investee.

Other intangible assets

Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Research and development

Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in the income statement when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if:

• development costs can be measured reliably;

• the product or process is technically and commercially feasible;

• future economic benefits are probable; and

• the Company intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in the income statement as incurred.

Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalized. The Company's criteria for capitalization of such assets are consistent with the guidance given in paragraph 25 of International Accounting Standard 38 ("IAS 38") (i.e., receipt of economic benefits out of the separately purchased transaction is considered to be probable).

Acquired research and development intangible assets which are under development, are recognized as In-Process Research and Development assets ("IPR&D"). IPR&D assets are not amortized, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such IPR&D assets is recorded in the income statement under "Research and Development expenses".

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognized immediately in the income statement.

3. Significant accounting policies (continued)

e. Goodwill and other Intangible assets (continued)

Amortization

Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

Intangible assets that are not available for use are amortized from the date they are available for use.

The estimated useful lives are as follows:

Trademarks	3 - 12 years
Product related intangibles	5 - 15 years
Customer-related intangibles	1 - 11 years
Other intangibles	3 - 15 years

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date.

De-recognition of intangible assets

Intangible assets are de-recognized either on their disposal or where no future economic benefits are expected from their use. Losses arising on such de-recognition are recorded in the income statement, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of de-recognition.

f. Leases

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

Finance leases

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 statements of financial position. Payments made under operating leases are recognized in income statement on a straight-line basis over the term of the lease.

Operating lease incentives received from the landlord are recognized as a reduction of rental expense on a straight line basis over the lease term.

g. Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3. Significant accounting policies (continued)

g. Inventories (continued)

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory includes estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

h. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. All impairment losses/ (reversal of impairment losses) are recognized in income statement.

When the fair value of available-for-sale financial assets declines below acquisition cost and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in other comprehensive income is transferred to the statement of income. An impairment loss may be reversed in subsequent periods, if the indicators for the impairment no longer exist. Such reversals are recognized in other comprehensive income.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at March 31.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized in the income statement if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3. Significant accounting policies (continued)

h. Impairment (continued)

An impairment loss in respect of equity accounted investee is measured by comparing the recoverable amount of investment with its carrying amount. An impairment loss is recognized in the income statement, and reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

i. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognized only when receipt of such reimbursements is virtually certain. Such reimbursements are recognized as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

j. Revenue

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 probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Profit share revenues

The Company from time to time enters into marketing arrangements with certain business partners for the sale of its products in certain markets. Under such arrangements, the Company sells its products to the business partners at a non-refundable base purchase price agreed upon in the arrangement and is also entitled to a profit share which is over and above the base purchase price. The profit share is typically dependent on the business partner’s ultimate net sale proceeds or net profits, subject to any reductions or adjustments that are required by the terms of the arrangement. Such arrangements typically require the business partner to provide confirmation of units sold and net sales or net profit computations for the products covered under the arrangement.

3. Significant accounting policies (continued)

j. Revenue (continued)

Revenue in an amount equal to the base purchase price is recognized in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognized as revenue in the period which corresponds to the ultimate sales of the products made by business partners only when the collectability of the profit share becomes probable and a reliable measurement of the profit share is available otherwise, recognition is deferred to a subsequent period pending satisfaction of such collectability and measurability requirements. In measuring the amount of profit share revenue to be recognized for each period, the Company uses all available information and evidence, including any confirmations from the business partner of the profit share amount owed to the Company, to the extent made available before the date the Company's Board of Directors authorizes the issuance of its financial statements for the applicable period.

Milestone payments and out licensing arrangements

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. Non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognized over the period in which the Company has continuing performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognized as revenues either on achievement of such milestones, if the milestones are considered substantive, or over the period the Company has continuing performance obligations, if the milestones are not considered substantive. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

Provision for chargeback, rebates and discounts

Provisions 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. Provisions for such chargebacks are accrued and estimated based on 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.

Shelf stock adjustments

Shelf stock adjustments are credits issued to customers to reflect decreases in the selling price of products sold by the Company, and are accrued when the prices of certain products decline as a result of increased competition upon the expiration of limited competition or exclusivity periods. These credits are customary in the pharmaceutical industry, and are intended to reduce the customer inventory cost to better reflect the current market prices. The determination to grant a shelf stock adjustment to a customer is based on the terms of the applicable contract, which may or may not specifically limit the age of the stock on which a credit would be offered.

Sales Returns

The Company accounts for sales returns accrual 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 Company deals in various products and operates in various markets. Accordingly, the estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates. With respect to established products, the Company considers its historical experience of sales returns, levels of inventory in the distribution channel, estimated shelf life, product discontinuances, price changes of competitive products, and the introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. With respect to new products introduced by the Company, such products have historically been either extensions of an existing line of product where the Company has historical experience or in therapeutic categories where established products exist and are sold either by the Company or the Company's competitors.

3. Significant accounting policies (continued)

j. Revenue (continued)

Services

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

k. Finance income and expense

Finance income consists of interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognized, in the profit or loss statement, as it accrues using the effective interest method. Dividend income is recognized in the profit or loss statement on the date that the Company's right to receive payment is established. The associated cash flows are classified as investing activities in the statement of cash flows. Finance expenses consist of interest expense on loans and borrowings.

Borrowing costs are recognized in the profit or loss statement using the effective interest method. The associated cash flows are classified as financing activities in the statement of cash flows.

Foreign currency gains and losses are reported on a net basis within finance income and expense. These primarily include: exchange differences arising on settlement or translation of monetary items; changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied; and the ineffective portion of cash flow hedges.

l. Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

3. Significant accounting policies (continued)

m. Share-based payment transactions

The grant date fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share based payment transaction is presented as a separate component in equity under "share based payment reserve". The amount recognized as an expense is adjusted to reflect the actual number of stock options that vest.

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 to the carrying amount of the related asset. Grants related to income are deducted in reporting the related expense.

o. Business combinations

The Company uses the acquisition method of accounting to account for business combination that occurred on or after April 1, 2009. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive. The Company measures goodwill as of the applicable acquisition date at the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed. When the fair value of the net identifiable assets acquired and liabilities assumed exceeds the consideration transferred, a bargain purchase gain is recognized immediately in the income statement. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to settlement of pre-existing relationships. Any goodwill that arises on account of such business combination is tested annually for impairment.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Transaction costs that the Company incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. The difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

p. Recent accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company

IFRS 9, Financial instruments

In July 2014, the IASB issued the final version of IFRS 9, "Financial instruments". IFRS 9 significantly differs from IAS 39, "Financial Instruments: Recognition and Measurement", and includes a logical model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company believes that the new Standard will materially impact the classification and measurement of the Company's financial instruments, documentation relating to hedging financial exposures and recognition of certain fair value changes.

3. Significant accounting policies (continued)

p. Recent accounting pronouncements(continued)

IFRS 15, Revenue from Contracts with Customers.

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.
The new revenue recognition standard was issued with an effective date of January 1, 2017. However, in April 2015, the IASB voted to defer the effective date of the new revenue recognition standard to January 1, 2018. Early application of the new standard is permitted. The Company is in the process of evaluating the impact of the new standard on its financial statements.

IFRS 16, Leases

In January 2016, the IASB issued a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, "Leases", and related interpretations and is effective for periods beginning on or after January 1, 2019. Earlier adoption of IFRS 16 is permitted if IFRS 15, "Revenue from Contracts with Customers", has also been applied.

The Company is currently in the process of evaluating the impact of this new accounting standard on its financial statements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC Interpretation 22, "Foreign Currency Transactions and Advance Consideration," which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. IFRIC Interpretation 22 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently in the process of evaluating the impact of this change in the accounting standard on its financial statements.

IFRIC 23, Uncertainty over Income Tax treatments

On June 7, 2017, the IFRS Interpretations Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 "Income taxes", are applied where there is uncertainty over income tax treatments.

IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

4. Determination of fair values

The Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

Property, plant and equipment acquired in a business combination or through an exchange of non-monetary assets is measured at fair value on the acquisition date. For this purpose, fair value is based on appraised market values and replacement cost.

(ii) Intangible assets

The fair value of trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of these brands, patents or trademarks being owned ("relief of royalty method"). The fair value of customer related, technology related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method after deduction of a fair return on other assets that are part of creating the related cash flows.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company's borrowings that have floating rates of interest, their fair value approximates carrying value.

(v) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes-Merton valuation mode. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

5. Property plant and equipment:

The following is a summary of the change in carrying value of property, plant and equipment.

Particulars	Plant & Machinery	Office Equipment	Furniture & Fixture	Leasehold Improvements	Others*	Total
Gross block						
Balance as at April 1, 2015	215,877	530,656	2,060,459	10,321,613	1,832,904	**14,961,509**
Additions	421,509	137,516	25,759	325,072	606,954	**1,516,810**
Disposals	-	-	-	-	-	-
Effect of changes in foreign exchange rates	(13,992)	(108,403)	(529,938)	(1,245,196)	(490,793)	**(2,388,322)**
Balance as at March 31, 2016	**623,394**	**559,769**	**1,556,280**	**9,401,489**	**1,949,065**	**14,089,997**
Balance as at April 1, 2016	**623,394**	**559,769**	**1,556,280**	**9,401,489**	**1,949,065**	**14,089,997**
Additions	116,596	2,129	62,965	124,855	**105,941**	**412,486**
Disposals	-	-	-	-	-	-
Effect of changes in foreign exchange rates	19,997	12,247	37,171	207,220	50,617	**327,252**
Balance as at March 31, 2017	**759,987**	**574,145**	**1,656,416**	**9,733,565**	**2,105,623**	**14,829,735**
Depreciation						
Balance as at April 1, 2015	53,821	307,314	1,531,446	2,484,489	1,271,529	**5,648,599**
Depreciation during the year	92,611	133,764	197,312	839,984	467,161	**1,730,832**
Disposals	-	-	-	-	-	-
Effect of changes in foreign exchange rates	20,982	(106,342)	(360,724)	(392,016)	(375,951)	**(1,214,051)**
Balance as at March 31, 2016	**167,414**	**334,736**	**1,368,034**	**2,932,457**	**1,362,739**	**6,165,380**
Balance as at April 1, 2016	**167,414**	**334,736**	**1,368,034**	**2,932,457**	1,362,739	**6,165,380**
Depreciation during the year	110,859	109,173	140,227	904,130	468,313	**1,732,702**
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Effect of changes in foreign exchange rates	7,295	10,907	34,320	101,121	46,351	**199,994**
Balance as at March 31, 2017	**285,568**	**454,816**	**1,542,581**	**3,937,708**	**1,877,403**	**8,098,076**

5. Property plant and equipment (continued) :

<u>**Net Carrying Value**</u>

As at April 01,2015	162,056	223,342	529,013	7,837,124	561,375	**9,312,910**
Add:-Capital Work in Progress						**1,195,090**
Total at April 01, 2015						**10,508,000**
As at March 31, 2016	455,980	225,033	188,246	6,469,032	586,326	**7,924,617**
Add:-Capital Work in Progress						**1,010,769**
Total at March 31, 2016						**8,935,386**
As at March 31, 2017	474,419	119,329	113,835	5,795,856	228,220	**6,731,659**
Add:-Capital Work in Progress						**1,876,397**
Total at March 31, 2017						**8,608,056**

**Others include electrical equipment, canteen equipment, lab equipment and computers.*

Capital Commitment

As of March 31, 2017 and 2016 the company had capital commitments of USD 423,965 and USD 677,907 under agreements for purchase property plant and equipment. The amount is net of capital advances paid in respect of such agreements.

6. Goodwill

Goodwill arising upon business acquisitions is not amortized but tested for impairment at least annually or more frequently if there is any indication that the cash generating unit to which goodwill is allocated is impaired.

The following table presents the changes in goodwill during the years ended March 31, 2017 and 2016:

	March 31, 2017	**March 31, 2016**
Opening balance, gross	3,291,000	3,291,000
Goodwill arising on business combinations during the year	-	-
Effect of translation adjustments	-	-
Impairment loss	-	-
Closing balance	**3,291,000**	**3,291,000**

The recoverable amounts of the above cash generating units have been assessed using a value-in-use model. Value in use is generally calculated as the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. Key assumptions on which the Company has based its determinations of value-in-use include:

a) Estimated cash flows for five years based on management's budgets and estimates.
b) Terminal value arrived by extrapolating last forecasted year cash flows to perpetuity, using a constant long-term growth rate of 0%. This long-term growth rate takes into consideration external macroeconomic sources of data. Such long-term growth rate considered does not exceed that of the relevant business and industry sector.
c) The post-tax discount rates used are based on the Company's weighted average cost of capital.
d) Value-in-use is calculated using after tax assumptions. The use of after tax assumptions does not result in a value-in-use that is materially different from the value-in-use that would result if the calculation was performed using before tax assumptions. The after tax discount rates used is 6.61%

The Company believes that any reasonably possible change in the key assumptions on which a recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

7. Other intangible assets

The following is a summary of changes in carrying value of other intangible assets:

Particulars	Product related intangibles	Other intangibles	Total
Gross carrying value			
Balance as at April 1, 2015	3,630,756	759,093	4,389,849
Additions	5,071,084	-	5,071,084
Deletions	(500,000)	-	(500,000)
Effects of changes in foreign exchange rates	(100,742)	(12,590)	(113,332)
Balance as at March 31, 2016	**8,101,098**	**746,503**	**8,847,601**
Balance as at April 1, 2016	8,101,098	746,504	8,847,602
Additions*	19,178,160	2,418,578	21,596,738
De-recognitions**	(493,161)	-	(493,161)
Deletions	(600,000)	-	(600,000)
Effects of changes in foreign exchange rates	353,299	116,372	469,671
Balance as at March 31, 2017	**27,032,557**	**3,281,454**	**30,314,011**
Amortization/ Impairment loss			
Balance as at April 1, 2015	156,164	336,997	493,161
Amortization for the year	530,101	181,282	711,383
Disposals	-	-	-
Impairment loss	637,335	-	637,335
Effect of changes in foreign exchange rates	(46,404)	(31,065)	(77,469)
Balance as at March 31, 2016	**1,277,196**	**487,214**	**1,764,410**
Balance as at April 1, 2016	1,277,196	487,215	1,764,411
Amortization for the year	1,454,965	408,607	1,863,572
De-recognitions **	(493,161)	-	(493,161)
Disposals	-	-	-
Impairment Loss	475,892	-	475,892
Effect of changes in foreign exchange rates	(399,244)	25,550	(373,694)
Balance as at March 31, 2017	**2,808,809**	**921,372**	**3,730,181**
Net carrying amount			
As at March 31, 2015	**3,474,592**	**422,096**	**3,896,688**
As at March 31, 2016	**6,823,902**	**259,289**	**7,083,191**
As at March 31, 2017	**24,223,748**	**2,360,082**	**26,583,830**

*Refer note 27 of these financial statements.

**During the year ended March 31, 2017, the Company de-recognised certain intangible assets which were fully amortized and from which no future economic benefits were expected, either from use or from their disposal.

7. Other intangible assets (continued)

The weighted average remaining useful life of intangibles was approximately 11.94 years as at March 31, 2017.

Impairment loss recorded for the year ended March 31, 2017 and 2016:

The company has recorded an impairment loss of USD 475,892 and USD 637,335 for the year ended March 31, 2017 and March 31, 2016 respectively with regard to write down of certain product related intangibles on account of discontinuance of the sale of the product and accordingly such impairment was recorded under "Selling, general and administrative expenses" in the company's standalone income statement.

As a result of the company's decision to discontinue further development of certain in process research and development (IP R&D) an amount of USD 600,000 and USD 500,000 was recorded as impairment loss for the year ended March 31, 2017 and 2016 respectively under research and development expenses in the Company's income statement. IP R&D assets are included in product related intangibles.

8. Inventories

Inventories consist of the following:

	As of	
	March 31, 2017	**March 31, 2016**
Packing materials, stores and spares	1,008,876	1,514,196
Work-In-Progress	408,203	8,070
Finished goods	135,621,188	132,138,839
Total Inventories	**137,038,267**	**133,661,105**

Inventories includes USD 23,239,391 and USD 23,419,684 which are carried at fair value less cost to sell as at March 31, 2017 and 2016.During the years ended March 31, 2017 and 2016, the Company recorded inventory write-downs of USD 63,168,447 and USD 10,278,284 respectively which primarily relate to slow-moving provisions and adjustments to write the inventory to their realisable amounts. These adjustments are included as part of cost of revenues in the income statement.

Cost of revenues for the years ended March 31, 2017 and 2016 includes raw materials, consumables and changes in finished goods and work in progress recognized in the income statement USD 768,256,617 and USD 969,620,241 respectively. Cost of Revenues for the years ended March 31, 2017 and 2016, includes other expenditures recognized in the income statement of USD 66,413,355 and USD 31,960,977 respectively.

9. Trade and other receivables

	As of	
	March 31, 2017	**March 31, 2016**
Trade and other receivables, net of chargebacks and rebates	309,381,186	378,018,880
Less: Allowance for doubtful trade receivables	2,780,262	2,197,297
Trade and other receivables, net	**306,600,924**	**375,821,583**

The Company maintains an allowance for impairment of doubtful accounts based on financial condition of the customer, aging of the customer accounts receivable, historical experience of collections from customers and the current economic environment.

9. Trade and other receivables (continued)

The movement in the allowance for impairment of trade account receivables is given below:

	For the Period ended	
	March 31, 2017	**March 31, 2016**
Balance at the beginning of the year	2,197,297	402,936
Provision for doubtful debts	582,965	1,794,361
Balance at the end of the period/year	**2,780,262**	**2,197,297**

10. Other assets

Other assets consist of the following:

	As of	
	March 31, 2017	**March 31, 2016**
Current		
Due from related parties (Note 20)	288,743,577	216,103,560
Prepaid expenses	1,477,587	983,011
Others	3,045,909	845,995
	293,267,073	**217,932,566**
Less: Provision for doubtful advances (Note 32)	25,572,981	-
	267,694,092	**217,932,566**
Non-current		
Deposits and other assets – non current	3,166,978	3,890,302
	3,166,978	**3,890,302**

11. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of	
	March 31, 2017	**March 31, 2016**
Current		
Cash balances	5,456	2,311
Balances with banks	215,634	1,218,706
Cash and cash equivalents on the statements of financial position	**221,090**	**1,221,017**
Add: Bank overdraft	(1,332,097)	-
Cash and cash equivalents in the statement of cash flow	**(1,111,007)**	**1,221,017**

12. Share Capital

	As of	
	March 31, 2017	**March 31, 2016**
Par value per share	**10**	**10**
Authorised share capital	**15,000,000**	**15,000,000**
Fully paid up capital		
As at April 01, 2016	14,010,000	14,010,000
Add: Additional paid up share capital	-	-
As at March 31, 2017	**14,010,000**	**14,010,000**

The Company presently has only one class of equity shares. For all matters submitted to vote in a shareholders meeting of the Company, every holder of an equity share, as reflected in the records of the Company on the date of the shareholders meeting shall have one vote in respect of each share held.

Treasury Stock

During the fiscal year ending March 2000, the Company had acquired 25% of its then outstanding common stock held by a minority shareholder (Pharma, LLC) based on the terms of a Stock Redemption Agreement at values to be determined based on achievement of sales for certain covered products. As per the terms of agreement, contingent consideration payable as part of the transaction should not exceed USD 14,000,000 over the ensuing ten years.

Pursuant to negotiation and settlement of the initial arrangement, the company agreed to pay the contingent consideration to Pharma LLC. Consequently, the total amount paid of USD 14,000,000 has been disclosed as treasury stock within the consolidated statement of changes in equity.

13. Provisions

Provisions consist of the following:

	As of	
	March 31, 2017	**March 31, 2016**
Sales returns	36,629,859	45,589,018
	36,629,859	**45,589,018**

The details of changes in provisions during the period ended March 31, 2017 are as follows:

Particulars	**Allowance for sales return**
Balance as at April 1, 2016	45,589,018
Provision made during the year	29,823,549
Credits and payments during the year	38,782,708
Balance as at March 31, 2017	**36,629,859**

14. Trade and other payables

Trade and other payables consist of the following:

	As of	
	March 31, 2017	March 31, 2016
Due to related parties (Note 20)	439,431,734	541,928,350
Others trade payables	3,614,800	5,357,866
Capital creditors	230,490	3,036,297
Creditors for expenses	4,002,600	2,104,376
	447,279,624	**552,426,889**

15. Other liabilities

Other liabilities consist of the following:

	As of	
	March 31, 2017	March 31, 2016
Current Liabilities		
Accrued expenses	26,988,765	23,550,653
Advances from customers	532,383	973,651
Medicaid	13,737,210	13,744,895
Other liabilities – inter unit (Note 20)	39,925,987	34,660,128
Others	8,177,571	14,643,251
	89,361,916	**87,572,578**
Non-current Liabilities		
Others	2,858,384	3,770,342
	2,858,384	**3,770,342**

16. Other (income)/expense

	For the Period ended	
	March 31, 2017	March 31, 2016
Miscellaneous income [1] (Note 20)	(18,878,940)	(16,656,453)
Other expense –inter unit*	50,572,981	-
Royalty expense –inter unit	642,534	689,837
Others	705,432	(150)
	33,042,007	**15,966,766**

[1] The Miscellaneous income consists of income from corporate services provided to fellow group companies. (Refer to Note 20 for details)

***** Other expense-inter unit comprises of provision for diminution in value of investment and advances in Dr. Reddy's Laboratories Tennessee LLC.

17. Revenue

Revenue consists of the following:

	For the Period ended	
	March 31, 2017	**March 31, 2016**
Sales to third parties	982,739,725	1,155,337,567
Sales to related parties (Note 20)	4,668	16,204
Service income	2,526,524	1,336,279
	985,270,917	**1,156,690,050**

18. Finance (income)/expense

Finance (income)/expense consists of the following:

	For the Period ended	
	March 31, 2017	**March 31, 2016**
Interest income	(2,023)	(9,510)
Interest expense	121,043	31,480
Interest expense-inter unit	-	62,775
Dividend Income-inter unit (Note 20)	(90,178,697)	-
Foreign exchange loss	2,900,296	7,468,658
	(87,159,381)	**7,553,403**

19. Operating leases

The Company leases offices, residential facilities and vehicles under operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Some of these leases include rent escalation clauses. Rental expense under these leases was USD 1,481,312 and USD 2,119,696 for the years ended March 31, 2017 and 2016 respectively.

The schedule of future minimum rental payments in respect of non-cancellable operating leases is set out below:

	As of	
	March 31, 2017	**March 31, 2016**
Less than one year	1,956,423	2,381,844
Between one and five years	7,231,057	9,007,649
More than five years	4,746,180	8,108,243
	13,933,660	**19,497,736**

(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

20. Related parties

The Company has entered into transactions with the following related parties:

(a) Dr. Reddy's Laboratories Limited (" Ultimate Parent Company")

(b) Dr. Reddy's Laboratories Switzerland ("Parent company")

(c) Industrias Quimicas Falcon de Mexico, S.A.de C.V.("Company under common control")

(d) Chirotech Technology Limited ("Company under common control")

(e) Aurigene Discovery Technologies Inc. ("Company under common control")

(f) Dr. Reddy's Laboratories EU Limited ("Company under common control")

(g) Dr. Reddy's Laboratories Louisiana LLC ("Subsidiary company")

(h) Dr. Reddy's Laboratories Tennessee LLC ("Subsidiary company")

(i) Dr. Reddy's Laboratories New York Inc. ("Company under common control")

(j) Betapharm Arzneimittel GmbH ("Company under common control")

(k) Dr. Reddy's Laboratories Canada, Inc. ("Company under common control")

(l) Promius Pharma LLC ("Subsidiary company")

(m) DRANU LLC ("Joint venture")

The following is a summary of significant related party transactions:

Purchases from related parties	31st Mar'17	31st Mar'16
Dr. Reddy 's Laboratories Limited	550,682,177	653,556,703
Industrias Quimicas Falcon De Mexico	15,150,803	8,608,470
Dr. Reddy's Laboratories Louisiana LLC	19,073,254	20,028,764
Dr. Reddy's Laboratories Tennessee LLC	2,065,618	2,269,034
Dr. Reddy's Laboratories , SA	119,293,644	159,024,117
Chirotech Technology Limited	6,00,931	149,340
Dr. Reddy's Laboratories EU Limited	22,00,480	214,625
Betapharm Arzneimittel GmbH	57,275,197	76,100,942
Total	**766,342,104**	**919,951,995**

Profit share to related parties	31st Mar'17	31st Mar'16
Dr. Reddy's Laboratories Louisiana LLC	6,258,123	11,202,717
Promius Pharma LLC	407,291	3,856,476
Dr. Reddy's Laboratories Tennessee LLC	2,130,677	4,397,343
Total	**8,796,091**	**19,456,536**

Sales to related parties	31st Mar'17	31st Mar'16
Dr. Reddy's Laboratories Limited	4,668	16,204
Total	**4,668**	**16,204**

Services to related parties	31st Mar'17	31st Mar'16
Dr. Reddy 's Laboratories Limited	12,509,940	10,885,202
Dr. Reddy's Laboratories , SA	6,369,000	5,759,251
Aurigene Discovery Technologies Inc.	-	12,000
Total	**18,878,940**	**16,656,453**

Other income (from)/to related parties	31st Mar'17	31st Mar'16
Dr. Reddy’s Laboratories Limited	642,534	689,837
Dr. Reddy’s Laboratories New York Inc.	18,126	15,963
Dr. Reddy’s Laboratories, SA	-	62,775
Dr. Reddy’s Laboratories Louisiana LLC	(90,178,697)	-
Total	**(89,518,037)**	**768,575**

The Company has the following amounts due from related parties (included in other current assets):

Due from related parties	31st Mar'17	31st Mar'16
Promius Pharma LLC	169,701,922	118,352,138
Dr. Reddy’s Laboratories Limited	19,639,622	29,778,009
Dr. Reddy’s Laboratories Tennessee LLC	31,442,980	25,209,887
Dr. Reddy’s Laboratories New York Inc.	25,255,830	17,910,831
Dr. Reddy’s Laboratories Louisiana LLC	39,321,645	20,089,687
Dr. Reddy’s Laboratories, SA	3,297,860	4,696,858
Dr. Reddy’s Laboratories Canada, Inc.	83,718	31,881
Aurigene Discovery Technologies Inc.	-	34,269
Total	**288,743,577**	**216,103,560**

The Company has the following amounts due to related parties (included in trade payables and other liabilities):

Due to related parties	31st Mar'17	31st Mar'16
Dr. Reddy’s Laboratories Limited	381,355,871	348,344,219
Dr. Reddy’s Laboratories, SA	19,018,048	76,624,405
Dr. Reddy’s Laboratories Louisiana LLC	1,064	86,344,008
Betapharm Arzneimittel GmbH	30,233,048	27,957,851
Industrias Quimicas Falcon De Mexico	7,194,836	2,677,906
DRANU LLC	470,203	470,256
Dr. Reddy’s Laboratories EU Ltd	1,904,000	-
Chirotech Technology Limited	600,931	-
Dr. Reddy’s Laboratories New York Inc.	11,010	104,513
Promius Pharma LLC	31,178,430	27,519,572
Dr. Reddy’s Laboratories Tennessee LLC	7,390,280	6,545,748
Total	**479,357,721**	**576,588,478**

21. Income taxes

a. Income tax (expense)/benefit recognized in the income statement

Income tax (expense)/benefit recognized in the income statement consist of the following:

	Years ended March 31	
	2017	**2016**
Current taxes	(3,484,958)	(32,099,748)
Deferred taxes (expense)/benefit	(17,326,228)	18,882,516
Total income tax (expense) / benefit recognised in income statement	**(20,811,186)**	**(13,217,232)**

b. Income tax (expense)/benefit recognized directly in equity

There were no income tax expenses / benefits recognized directly in equity for the year ended March 31, 2017 and 2016.

c. Reconciliation of effective tax rate

Particulars	For the year ended March 31,	
	2017	**2016**
Profit before income taxes	89,644,985	52,072,686
Enacted tax rate	37.37%	37.50%
Computed expected tax benefit/(expense)	(33,498,538)	(19,527,257)
Effect on account of tax allocation from the consolidated tax benefit/ (expense) of Parent Company viz., Dr. Reddy's Laboratories Inc., based on parent-down approach	12,687,352	6,310,025
Income tax benefit/ (expense)	**(20,811,186)**	**(13,217,232)**

The significant reconciling item from the expected tax benefit/ (expense) to the actual tax benefit/ (expense), at the parent company's consolidation level, includes the following:

	Year ended March 31,	
	2017	**2016**
Expenses not deductible for tax purposes	(484,188)	(364,784)
Research and development tax credit	506,696	1,115,234
Qualified domestic production activities deduction	-	575,239
Others	1,448,352	651,371
	1,470,860	**1,977,060**

(1) Expenses not deductible for tax expenses include expenses which are disallowed as deduction from taxable profit as per the tax laws prevailing.

(2) There are certain income-tax related legal proceedings that are pending against the Company. Potential liabilities, if any, have been adequately provided for, and the Company does not currently estimate any material incremental tax liability in respect of these matters.

d. Unrecognized deferred tax assets and liabilities

During the financial year ending March 31, 2017 and 2016 the company has not recognized a deferred tax asset amounting to USD 186,804 on long-term capital loss which was accrued to the Company on account of divestment of investments in APRLLC.

21. Income taxes (continued)

e. Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

	2017	**2016**
Deferred tax assets / (liabilities):		
Other current liabilities	8,566,412	6,088,327
Property plant and equipment	(120,519)	4,162,040
Operating loss carry forward	(23,394,860)	-
Accounts receivable	(485,588)	10,004,552
R&D credit	(900,477)	-
Other current assets	(533,084)	(1,426,466)
Stock based compensation/ equity	(418,638)	(778,609)
Intangibles	(39,474)	832,672
Net deferred tax asset/(liabilities)	**(17,326,228)**	**18,882,516**

In assessing the realizability of the deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences and tax loss carry forwards. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced. Periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences and tax loss carry forwards. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

f. Movement in temporary differences during the years ended March 31, 2017 and 2016:

The details of movement in deferred tax assets and liabilities are summarised below:

	As at March 31, 2016	**Movement**	**As at March 31, 2017**
Deferred tax assets/(liabilities)			
Property , plant and equipment and intangibles	6,250,523	(159,993)	6,090,530
Accounts receivable	25,589,468	(485,588)	25,103,880
Stock based compensation	(1,121,524)	(418,638)	(1,540,162)
Other current assets	291,340	(533,084)	(241,744)
R&D credit	-	(900,477)	(900,477)
Other current liabilities	8,322,977	8,566,412	16,889,389
Operating Losses carried forward	-	(23,394,860)	(23,394,860)
Net deferred tax assets/(liabilities)	**39,332,784**	**(17,326,228)**	**22,006,555**

21. Income taxes (continued)

f. Movement in temporary differences during the years ended March 31, 2017 and 2016(continued):

	As at March 31, 2015	Movement	As at March 31, 2016
Deferred tax assets/(liabilities)			
Property , plant and equipment and intangibles	1,255,811	4,994,712	6,250,523
Accounts receivable	15,584,915	10,004,553	25,589,468
Stock based compensation	(342,915)	(778,609)	(1,121,524)
Other current assets	1,717,807	(1,426,467)	291,340
Other current liabilities	2,234,650	6,088,327	8,322,977
Net deferred tax assets/(liabilities)	**20,450,268**	**18,882,516**	**39,332,784**

22. Employee stock incentive plan

Dr. Reddy's Employees Stock Option Plan-2002 (the "DRL 2002 Plan")

Dr. Reddy's Laboratories Limited, ("Ultimate Parent Company") instituted the DRL 2002 Plan for all eligible employees pursuant to the special resolution approved by the shareholders in its Annual General Meeting held on September 24, 2001. The DRL 2002 Plan covers all employees and directors (excluding promoter directors) of its subsidiaries. The Nomination, Governance, and Compensation Committee of the Board (the "Committee") of the ultimate parent company shall administer the DRL 2002 Plan and grant stock options to eligible employees. The Committee determines which eligible employees will receive options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2002 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

Under the DRL 2002 Plan, the exercise price of the fair market value options granted under Category A is determined based on the average closing price for 30 days prior to the grant in the stock exchange where there is highest trading volume during that period. Notwithstanding the foregoing, the Committee may, after obtaining the approval of the shareholders in the annual general meeting, grant options with a per share exercise price other than fair market value and par value of the equity shares.

Stock option activity under the DRL 2002 Plan for Category B of options during the year ended March 31, 2017 and 2016 is as follows:

Category B – Par Value Options

For the year ended March 31, 2017:

The number of options granted and exercised during the year is 4,532 and 2,319 respectively. The exercise price and weighted exercise price of the options is USD 0.12. The options outstanding at the end of the year are 13,209 with a weighted average remaining contractual life of 61 months.

For the year ended March 31, 2016:

The number of options granted and exercised during the year is 6,392 and 7,638 respectively. The exercise price and weighted exercise price of the options is USD 0.12. The options outstanding at the end of the year are 11,426 with a weighted average remaining contractual life of 63 months.

22. Employee stock incentive plan (continued)

Dr. Reddy's Employees ADR Stock Option Plan-2007 (the "DRL 2007 Plan"):

Dr. Reddy's Laboratories Limited, ("Ultimate Parent Company") instituted the DRL 2007 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on July 27, 2005. The DRL 2007 Plan came into effect on approval of the Board of Directors on January 22, 2007. The DRL 2007 Plan covers all employees and directors (excluding promoter directors) of the Company. The Committee of the parent Company administers the DRL 2007 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2007 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

Stock option activity under the DRL 2007 Plan during the year ended March 31, 2017 and March 31, 2016 was as follows:

Category B – Par Value Options	**Fiscal Year ended March 31, 2017**			
	Shares arising out of options	**Exercise price**	**Weighted-average exercise price**	**Weighted average remaining contractual life (months)**
Outstanding at the beginning of the year	80,006	USD 0.12	USD 0.12	72
Granted during the year	48,352	USD 0.12	USD 0.12	90
Expired/ Forfeited during the year	(19,731)	USD 0.12	USD 0.12	-
Exercised during the year	(30,962)	USD 0.12	USD 0.12	-
Outstanding at the end of the year ..	77,665	USD 0.12	USD 0.12	75
Exercisable / vested at the end of the year	4,429	USD 0.12	USD 0.12	45

Category B – Par Value Options	**Fiscal Year ended March 31, 2016**			
	Shares arising out of options	**Exercise price**	**Weighted-average exercise price**	**Weighted-average remaining contractual life (months)**
Outstanding at the beginning of the year	84,380	USD 0.12	USD 0.12	72
Granted during the year	35,536	USD 0.12	USD 0.12	90
Expired/ Forfeited during the year..	(12,149)	USD 0.12	USD 0.12	-
Exercised during the year	(27,761)	USD 0.12	USD 0.12	-
Outstanding at the end of the year ..	80,006	USD 0.12	USD 0.12	72
Exercisable / vested at the end of the year	6,030	USD 0.12	USD 0.12	45

The weighted average grant date fair value of par value options granted under category B of the DRL 2007 plan during the years ended March 31, 2017 and March 31, 2016 was USD 50.36 and USD 49.90 respectively. The aggregate intrinsic value of options exercised under the DRL 2007 Plan during the year ended March 31, 2017 and 2016 was USD 1,555,712 and USD 1,492,073. As of March 31, 2017, options outstanding under the DRL 2007 Plan had an aggregate intrinsic value of USD 3,146,540 and options exercisable under the DRL 2007 Plan had an intrinsic value of USD 179,438 respectively. The fair value of stock options granted under the DRL 2002 Plan and the DRL 2007 Plan has been measured using the Black-Scholes-Merton model at the date of the grant.

22. Employee stock incentive plan (continued)

The Black-Scholes-Merton model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates. In respect of par value options, the expected term of an option (or "option life) is estimated based on the vesting term, contractual term, as well as expected exercise behavior of the employees receiving the option. In respect of Fair Market Value options, the option life is estimated based on the simplified method. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company's publicly traded equity shares. Dividend yield of the options is based on recent dividend activity. Risk-free interest rates are based on the Indian government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of Company's control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in future periods, stock based compensation expense could be materially impacted in future years.

The fair value of each option is estimated on the date of grant using the Black-Scholes-Merton model with the following assumptions:

	Grants made on	
	November 15, 2016	**May 11, 2015**
Expected volatility	32.77%	25.98%
Exercise price	Rs.5.00	Rs.5.00
Option life	2.5 Years	2.5 Years
Risk-free interest rate	6.27%	7.87%
Expected dividends	0.60%	0.60%
Grant date share price	Rs.3,310.70	Rs.3,359.70

For the years ended March 31, 2017 and 2016 an amount of USD 1,222,978 and USD 1,169,487 respectively, has been recorded as employee share-based payment expense under all employee stock incentive plans with a corresponding credit to the Additional paid in capital, disclosed as part of stock holders' equity, representing capital contribution by Dr. Reddy's Laboratories Limited, the ultimate parent company. As of March 31, 2017, there was approximately USD 1,392,667 of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of 2.94 years.

23. Financial Instruments

Financial Instruments by category

The carrying value and fair value of the financial instruments by each category as at March 31, 2017 were as follows:

Particulars	Note	Loans and receivables	Trade and other payables	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents	11	221,090	-	221,090	221,090
Trade and other receivables	9	306,600,924	-	306,600,924	306,600,924
Other assets*	10	268,551,216	-	268,551,216	268,551,216
Total		**575,373,230**	-	**575,373,230**	**575,373,230**
Liabilities:					
Trade and other payables	14	-	447,279,624	447,279,624	447,279,624
Bank overdraft			1,332,097	1,332,097	1,332,097
Other liabilities and provisions#	13 &15	-	128,317,776	128,317,776	128,317,776
Total		**-**	**576,929,497**	**576,929,497**	**576,929,497**

23. Financial Instruments (continued)

The carrying value and fair value of the financial instruments by each category as at March 31, 2016 were as follows:

Particulars	Note	Loans and receivables	Trade and other payables	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents	11	1,221,017	-	1,221,017	1,221,017
Trade and other receivables	9	375,821,583	-	375,821,583	375,821,583
Other assets*	10	220,696,360	-	220,696,360	220,696,360
Total		**597,738,960**	**-**	**597,738,960**	**597,738,960**
Liabilities:					
Trade and other payables	14	-	552,426,889	552,426,889	552,426,889
Other liabilities and provisions	13 &15	-	135,958,287	135,958,287	135,958,287
Total		**-**	**688,385,176**	**688,385,176**	**688,385,176**

***** Other assets that are not financial assets (such as receivables from prepaid expenses, advances paid and certain other receivables) of USD 2,309,854 and USD 1,126,508 as of March 31, 2017 and 2016, respectively, are not included.

Other liabilities that are not financial liabilities (such as advances from customers and certain other accruals) of USD 532,383 and USD 973,651 as of March 31, 2017 and 2016, respectively, are not included.

Fair value hierarchy

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 — Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

24. Financial risk management

The Company’s activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company’s primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company’s risk management assessment and policies and processes are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company’s activities. The Board of Directors is responsible for overseeing Company’s risk assessment and management policies and processes.

a. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables from customers and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Trade and other receivables

The Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country, in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

24. Financial risk management (continued)

a. Credit risk (continued)

Financial assets that are neither past due nor impaired

None of the Company's cash equivalents, including time deposits with banks, were past due or impaired as at March 31, 2017. Of the total trade receivables, USD and USD as at March 31, 2017 and 2016 consisted of customer balances which were neither past due nor impaired.

Financial assets that are past due but not impaired

The Company's credit period for customers generally ranges from 20 – 180 days. The age analysis of the trade receivables has been considered from the date of the invoice. The aging of trade receivables that are past due, net of allowance for doubtful receivables, is given below:

Period (in days)	Year ended March 31,	
	2017	2016
00-90	98,394,469	35,537,341
90-180	4,614,245	2,660,347
More than 180	8,345,719	9,009,490
Total	**111,354,433**	**47,207,178**

See Note 9 for the activity in the allowance for impairment of trade account receivables. Other than trade receivables, the Company has no class of financial assets that is past due but not impaired

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

As of March 31, 2017 and 2016 the Company had working capital of USD 142,813,193 and USD 43,866,994 respectively. Based on the projected cash flows and available lines of credit, the Company has sufficient resources to meet the capital expenditure needs and working capital requirements over the course of the next 12 months.

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2017:

Particulars	2018	2019	2020	2021	Thereafter	Total
Trade and other payables	447,279,624	-	-	-	-	447,279,624
Other liabilities and provisions	127,308,780	92,760	92,760	143,151	1,212,708	128,850,159
Total	**574,588,404**	**92,760**	**92,760**	**143,151**	**1,212,708**	**576,129,783**

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2016:

Particulars	2017	2018	2019	2020	Thereafter	Total
Trade and other payables	552,426,889	**-**	**-**	**-**	**-**	552,426,889
Other liabilities and provisions	134,650,376	131,940	131,940	131,940	1,885,742	136,931,938
Total	**687,077,265**	**131,940**	**131,940**	**131,940**	**1,885,742**	**689,358,827**

24. Financial risk management (continued)

c. Market risk

Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates and other market changes that affect market risk-sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and short term/or long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Foreign exchange risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses. A significant portion of the Company's revenues are in reporting currency, USD. As a result, the Company is not exposed to significant foreign currency risk.

Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of active pharmaceutical ingredients, including the raw material components for such active pharmaceutical ingredients. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in the Company's active pharmaceutical ingredients business are generally more volatile. Cost of raw materials forms the largest portion of the Company's operating expenses. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. The Company has historically not entered into any derivative financial instruments or futures contracts to hedge exposure to fluctuations in commodity prices.

25. Receipt of warning letter from the U.S. FDA

Ultimate parent company has received a warning letter dated November 5, 2015 from the U.S. FDA relating to current Good Manufacturing Practice ("cGMP") deviations at its active pharmaceutical ingredient ("API") manufacturing facilities at Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as violations at its oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh. The contents of the warning letter emanated from Form 483 observations that followed inspections of these sites by the U.S. FDA in November 2014, January 2015 and February-March 2015, respectively. The warning letter does not restrict production or shipment of the products from these facilities. However, unless and until the ultimate parent company is able to correct outstanding issues to the U.S. FDA's satisfaction, the U.S. FDA may withhold approval of new products and new drug applications of the Company, refuse admission of products manufactured at the facilities noted in the warning letter into the United States, and/or take additional regulatory or legal action against the ultimate parent company. Any such further action could have a material and negative impact on the ongoing business and operations. During the years ended March 31, 2016 and 2017, the U.S. FDA withheld approval of new products from these facilities pending resolution of the issues identified in the warning letter. To minimize the business impact, certain key products were transferred to alternate manufacturing facilities. Subsequent to the issuance of the warning letter, the ultimate parent company promptly instituted corrective actions and preventive actions and submitted a comprehensive response to the warning letter to the U.S. FDA, followed by periodic written updates and in-person meetings with the U.S. FDA. The U.S. FDA completed the re-inspection of the aforementioned manufacturing facilities in the months of March and April 2017. During the re-inspections, the U.S. FDA issued three observations with respect to the API manufacturing facility at Miryalaguda, two observations with respect to the API manufacturing facility at Srikakulam and thirteen observations with respect to the oncology formulation manufacturing facility. The ultimate parent company has responded to these observations identified by the U.S. FDA, and believes that it can resolve them satisfactorily in a timely manner.

In June 2017, the U.S. FDA has issued an establishment inspection report which officially closed the audit of the API manufacturing facility at Miryalaguda.

26. Contingencies

Nexium United States litigations

Five federal antitrust class action lawsuits were brought on behalf of direct purchasers of Nexium®, and ten federal class action lawsuits were brought under both state and federal law on behalf of end-payors of Nexium®. These actions were filed against various generic manufacturers, including the Company and its ultimate parent company. These actions were consolidated in the United States District Court for the District of Massachusetts.

The complaints alleged that AstraZeneca and the involved generic manufacturers settled patent litigation related to Nexium® capsules in a manner that violated antitrust laws. The Company consistently maintained that its conduct complied with all applicable laws and that the complaints were without merit. In response to a motion for summary judgment made by the Company, the Court granted the motion in part and denied it in part, finding that the plaintiffs had failed to demonstrate that the Company's settlement of patent litigation with AstraZeneca included any large or unjustified reverse payment, but preserving other claims for trial.

On October 20, 2014, the Company reached a settlement with all plaintiffs who had cases pending in the District of Massachusetts. The settlement with the class plaintiffs was subject to the Court's approval. Under the terms of the settlement, the Company made no payment to the class plaintiffs. Other defendants went to trial and prevailed.

The Court granted preliminary approval of the Company's settlements with the class plaintiffs on January 28, 2015, and granted final approval of such settlements on September 29, 2015.

On November 21, 2016, the First Circuit Court of Appeals affirmed the judgment that had been entered in favor of the defendants who tried the case to a verdict. On January 10, 2017, the First Circuit Court of Appeals denied the motions for reconsideration.

In addition, two complaints, similar in nature to those referenced above, were filed in the Court of Common Pleas in Philadelphia, Pennsylvania by plaintiffs who chose to opt out of the class action lawsuit. No dispositive motions have been filed in these actions.

The Company believes that the likelihood of any liability that may arise on account of lawsuits of the plaintiffs who opted out of the class action is not probable. Accordingly, no provision has been made in these consolidated financial statements.

Child resistant packaging matter

In May 2012, the Consumer Product Safety Commission (the "CPSC") requested the company to provide certain information with respect to compliance with requirements of special packaging for child resistant blister packs for 6 products sold by the Company in the United States during the period commencing in 2002 through 2011. The Company provided the requested information. The CPSC subsequently alleged in a letter dated April 30, 2014 that the Company had violated the Consumer Product Safety Act (the "CPSA") and the Poison Prevention Packaging Act (the "PPPA") and that the CPSC intended to seek civil penalties. Specifically, the CPSC asserted, among other things, that from or about August 14, 2008 through June 1, 2012, the Company sold prescription drugs having unit dose packaging that failed to comply with the CPSC's special child resistant packaging regulations under the PPPA and failed to issue general certificates of conformance. In addition, the CPSC asserted that the Company violated the CPSA by failing to immediately advise the CPSC of the alleged violations. The Company disagrees with the CPSC's allegations.

Simultaneously, the U.S. Department of Justice (the "DOJ") began to investigate a sealed complaint which was filed in the United States District Court for the Eastern District of Pennsylvania under the Federal False Claims Act ("FCA") related to these same issues (the "FCA Complaint"). The Company cooperated with the DOJ in its investigation. The DOJ and all States involved in the investigation declined to intervene in the FCA Complaint. On November 10, 2015, the FCA Complaint was unsealed and the plaintiff whistleblowers (the "Relators"), who are two former employees of the Company, have proceeded without the DOJ's and applicable States' involvement. The unsealed FCA Complaint relates to the 6 blister pack products originally subject to the investigation and also 38 of the Company's generic prescription products sold in the U.S. in various bottle and cap packaging. The Company filed its response to the FCA Complaint on February 23, 2016 in the form of a motion to dismiss ("MTD") for failure to state a claim upon which relief can be granted. On March 26, 2017, the Court granted Company's MTD, dismissing the FCA Complaint and allowing plaintiffs one more chance to refile this complaint in an attempt to plead sustainable

Contingencies (continued)

Child resistant packaging matter

allegations. On March 29, 2017, plaintiffs filed their final amended FCA Complaint, which Company intends to vigorously oppose and seek permanent dismissal of this amended FCA Complaint with prejudice.

Although the DOJ and applicable States have declined to intervene in the FCA Complaint filed by the plaintiffs, the parallel investigation by the CPSC under the CPSA and the PPPA was referred by the CPSC to the DOJ' office in Washington, D.C. ("DCDOJ") in April 2016, with the recommendation that the DOJ initiate a civil penalty action against the Company. The CPSC matter referred to the DOJ relates to five of the blister pack products. An unfavorable outcome in these matters could result in liabilities which could have a material adverse effect on the Company.

Namenda United States Litigations

In August 2015, Sergeants Benevolent Assoc. Health & Welfare Fund ("Sergeants") filed suit against the Company in the United States District Court for the Southern District of New York. Sergeants alleged that certain parties, including the Company, violated federal antitrust laws as a consequence of having settled patent litigation related to the Alzheimer's drug Namenda® (memantine) tablets during a period from about 2009 until 2010. Sergeants seeks to represent a class of "end-payor" purchasers of Namenda® tablets (i.e., insurers, other third-party payors and consumers).

Sergeants seeks damages based upon an allegation made in the complaint that the defendants entered into patent settlements regarding Namenda® tablets for the purpose of delaying generic competition and facilitating the brand innovator's attempt to shift sales from the original immediate release product to the more recently introduced extended release product. The Company believes that the complaint lacks merit and that the Company's conduct complied with all applicable laws and regulations.

All defendants, including the Company, moved to dismiss the claims. On September 13, 2016, the Court denied these motions. However, the Sergeants case is stayed pending resolution of similar claims in another case in which the Company is not a party (JM Smith Corp. v. Actavis PLC). The parties in the JM Smith case have served the Company with subpoenas, seeking specified documents, and the Company has produced documents in response to the subpoenas.

Four other class action complaints, each containing similar allegations to the Sergeants complaint, have also been filed in the Southern District of New York. However, two of those complaints were voluntarily dismissed, and the other two do not name the Company as a defendant.

In addition, the State of New York filed an antitrust case in the Southern District of New York. The case brought by the State of New York contained some (but not all) of the allegations set forth in the class action complaints, but the Company was not named as a party. The case brought by the State of New York was dismissed by stipulation on November 30, 2015.

The Company believes that the likelihood of any liability that may arise on account of alleged violation of federal antitrust laws is not probable. Accordingly, no provision has been made in these consolidated financial statements.

Class Action and Other Civil Litigation on Pricing/Reimbursement Matters

On December 30, 2015 and on February 4, 2016, respectively, a class action complaint and another complaint (not a class action) were filed against the Company and eighteen other pharmaceutical defendants in State Court in the Commonwealth of Pennsylvania. In these actions, the class action plaintiffs allege that the Company and other defendants, individually or in some cases in concert with one another, have engaged in pricing and price reporting practices in violation of various Pennsylvania state laws. More specifically, the plaintiffs allege that: (1) the Company provided false and misleading pricing information to third party drug compendia companies for the Company's generic drugs, and such information was relied upon by private third party payers that reimbursed for drugs sold by the Company in the United States, and (2) the Company acted in concert with certain other defendants to unfairly raise the prices of generic divalproex sodium ER (bottle of 80, 500 mg tablets ER 24H) and generic pravastatin sodium (bottle of 500, 10 mg tablets). The Company disputes these allegations and intends to vigorously defend against these allegations.

Contingencies (continued)

Class Action and Other Civil Litigation on Pricing/Reimbursement Matters (continued)

Further, on November 17, 2016, certain class action complaints were filed against the Company and a number of other pharmaceutical companies as defendants in the United States District Court for the Eastern District of Pennsylvania. These complaints allege that the Company and the other named defendants have engaged in a conspiracy to fix prices and to allocate bids and customers in the sale of pravastatin sodium tablets and divalproex sodium extended-release tablets in the United States. The Company denies any wrongdoing and intends to vigorously defend against these allegations.

The Company believes that the likelihood of any liability that may arise on account of any of these complaints is not probable. Accordingly, no provision has been made in these financial statements.

Civil litigation with Mezzion

On January 13, 2017, Mezzion Pharma Co. Ltd. and Mezzion International LLC (collectively, "Mezzion") filed a complaint in the New Jersey Superior Court against the Company and its ultimate parent company. The complaint pertains to production and supply of active pharmaceutical ingredient ("API") for udenafil (a patented compound) and udenafil finished dosage product during a period from 2007 to 2015. Mezzion alleges that the Company failed to comply with the U.S. FDA current Good Manufacturing Practices ("cGMP") at the time of manufacture of the API and finished dosage forms of udenafil and, consequently, that this resulted in a delay in the filing of the NDA for the product by Mezzion. The Company denies any wrongdoing or liability in this regard and intends to vigorously defend against the claims asserted in Mezzion's Complaint.

Civil Investigative Demand from the Office of the Attorney General, State of Texas

On or about November 10, 2014, the company received a Civil Investigative Demand ("CID") from the Office of the Attorney General, State of Texas (the "Texas AG") requesting certain information, documents and data regarding sales and price reporting in the U.S. marketplace of certain products for the period of time between January 1, 1995 and the date of the CID. Compliance with the CID is ongoing, and we understand that the investigation is continuing.

Subpoena duces tecum from the Office of the Attorney General, California

On November 3, 2014, the company received a subpoena duces tecum to appear before the Office of the Attorney General, California (the "California AG") and produce records and documents relating to the pricing of certain products. A set of five interrogatories related to pricing practices was served as well. On July 18, 2016, the California AG sent a letter to inform the Company that, in light of the information provided to that date, no further information would be requested at present in response to this subpoena.

Subpoenas from the Division of the U.S. Department of Justice ("DOJ") and the office of the Attorney General for the State of Connecticut

On July 6, 2016 and August 7, 2016, the company received subpoenas from the DOJ and the office of the Attorney General for the State of Connecticut, respectively, seeking information relating to the marketing, pricing and sale of certain of our generic products and any communications with competitors about such products. We have been cooperating, and intend to continue to fully cooperate with these inquiries.

27. Asset purchase agreement with Ducere Pharma LLC

On May 23, 2016, the Company entered into and consummated an asset purchase agreement with Ducere Pharma LLC for the purchase of certain pharmaceutical brands for a total consideration USD 17,000,000. The acquisition is expected to strengthen the Company' s presence in the dermatology, cough-and-cold and pain therapeutic areas forming part of the Company's over-the-counter ("OTC") business in the United States.

The Company recorded the acquisition of these brands as product related intangibles. The Company estimated that the useful life of these brands is 15 years.

The carrying value of these intangibles as on March 31, 2017 was USD 15,563,160

28. Nature of Expense

The following table shows the expenses by nature:

Particulars	For the year ended March 31, 2017			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	147,979	39,824,775	10,608,359	50,581,113
Depreciation and amortization	-	3,078,555	517,719	3,596,274
	147,979	**42,903,330**	**11,126,078**	**54,177,387**

Particulars	For the year ended March 31, 2016			
	Cost of revenues	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	100,590	40,808,123	11,867,196	52,775,909
Depreciation and amortization	-	2,080,972	361,243	2,442,215
	100,590	**42,889,095**	**12,228,439**	**5,218,124**

29. Employee benefits

The Company's employees participate in Dr. Reddy's Laboratories, Inc., 401 (k) defined contribution retirement plan. The Company's contribution is discretionary and is determined by its Board of Directors on an annual basis. The contribution made by the Company for the year ended March 31, 2017 and 2016 was USD 1,211,133 and USD 1,062,050 respectively.

30. Other Investments

Investment in Subsidiaries & Joint Ventures:

Name of the Entity	As of March 31, 2017	As of March 31, 2016
Dr. Reddy’s Laboratories Louisiana LLC	40,000,000	40,000,000
Dr. Reddy’s Laboratories Tennessee LLC	25,000,000	25,000,000
Promius Pharma LLC	38,760,000	38,760,000
DRANU LLC (JV)	6,085,900	6,085,900
	109,845,900	**109,845,900**
Less: Provision for diminution in value of investments (Note 32)	25,000,000	-
Total investment	**84,845,900**	**109,845,900**

31. Effect of transition to IFRS on Company's Equity and Profit

Reconciliation between financial results as previously reported under Previous GAAP and IFRS for year ended March 31, 2016	***Amount in USD***
Particulars	**Year ended**
	March 31, 2016
Net profit under previous GAAP	**47,624,195**
Less: ESOP cost accounted	(1,178,448)
Reversal of taxes recognised at consolidated level	5,143,543
Income tax expense recognised for the year ended March 31, 2016	(13,217,232)
Reversal of goodwill amortised under Previous GAAP	788,595
Impairment of intangibles	(508,450)
Others	203,251
Net profit under IFRS	**38,855,454**

Reconciliation of equity as on March 31, 2016 as previously reported under Previous GAAP to IFRS	***Amount in USD***
Particulars	**As on March 31, 2016**
Equity reported under Previous GAAP as on March 31, 2016	**212,490,555**
Adjustments:	
Recognition of treasury shares	14,000,000
Impact on current and deferred taxes	2,554,854
Recognition of Intangibles not eligible for recognition under Previous GAAP	500,001
Reversal of goodwill amortised under Previous GAAP	338,199
Impact of reversal on taxes accounted at Consolidation level	(17,408,394)
Equity reported under IFRS as on March 31, 2016	**212,475,215**

32. Consequent to the significant decline in the business performance of Dr. Reddy's Laboratories Tennessee LLC, the Company evaluated the recoverability of the amounts invested in and advanced to the aforesaid subsidiary and determined that there exist an objective evidence of impairment of such amounts. Accordingly, the following amounts have been provided for during the year ended March 31, 2017:

Impairment of investment – 25,572,981

Impairment of advances – 25,000,000

Independent Auditors' Report

To the Members of **Dr. Reddy's Laboratories International SA**.

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories International SA**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	1,933	2,133	2,331
Financial assets				
Investments	2.2	225,582	225,512	225,512
Other non current assets	2.3	180	28	-
Total non current assets		**227,695**	**227,673**	**227,843**
Current assets				
Financial assets				
Loans	2.4	45,391	42,064	38,598
Cash and cash equivalents	2.5	2,753	9,238	8,001
Other assets	2.6	214	227	1,437
Total current assets		**48,358**	**51,529**	**48,036**
Total assets		**276,053**	**279,202**	**275,879**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.7	275,120	275,120	275,120
Other equity				
Retained earnings		190	3,184	(211)
Total equity		**275,310**	**278,304**	**274,909**
Current liabilities				
Financial Liabilities				
Other current financial liabilities	2.8	727	898	813
Other current liabilities	2.9	16	-	157
Total Liabilities		**743**	**898**	**970**
Total equity and liabilities		**276,053**	**279,202**	**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 and on behalf of the Board of Directors of **Dr. Reddy's Laboratories International SA**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

G.V. Prasad
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Other Income	2.10	795	4,283
Total Income		**795**	**4,283**
Expenses			
Depreciation and amortisation expense	2.11	200	198
Other expenses	2.12	3,590	759
Total expense		**3,790**	**957**
(Loss)/Profit before tax		**(2,995)**	**3,326**
Income tax expense	2.13	-	(69)
Loss for the year		**(2,995)**	**3,395**
Earnings per share:			
Basic earnings per share of CHF 1 each		(0.59)	0.67
Diluted earnings per share of CHF 1 each		(0.59)	0.67
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories International SA**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

G.V. Prasad
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
(Loss)/Profit before taxation	(2,995)	3,326
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	200	198
Interest Income	(595)	(622)
Net foreign exchange differences	3,060	(3,458)
Operating cash flows before working capital changes	**(330)**	**(556)**
Working capital adjustments:		
Increase/Decrease in other assets & liabilities,net	(6,231)	1,184
	(6,561)	**628**
Income tax paid	(152)	-
Net cash flows from operating activities	**(6,713)**	**628**
Net cash flows used in investing activities		
Interest received	595	-
Loans and advances received from/(given to) holding company and other group companies, net	-	6
Investment in subsidiary and other group companies	(70)	-
	525	**6**
Net cash flows from/ (used in) financing activities	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	(6,188)	634
Cash and cash equivalents at the beginning of the year	9,238	8,001
Effect of foreign exchange loss on cash and cash equivalents	(297)	603
Cash and cash equivalents at the end of the year	**2,753**	**9,238**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	2,753	9,238
Cash and bank balances at the end of the year	**2,753**	**9,238**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories International SA**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

G.V. Prasad
Director

Place: Hyderabad
Date: 9 May 2017

Dr. Reddy’s Laboratories International SA

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2015	**5,100,000**	**275,120**	**(211)**	**274,909**
Profit for the period	-	-	3,395	3,395
Balance as of 31 March 2016	**5,100,000**	**275,120**	**3,184**	**278,304**
Loss for the period	-	-	(2,995)	(2,995)
Balance as of 31 March 2017	**5,100,000**	**275,120**	**189**	**275,310**

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy’s Laboratories International SA**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

G.V. Prasad
Director

Place: Hyderabad
Date: 9 May 2017

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities
Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:
Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.
Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax
Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories
Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.
Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies
Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.
When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern
The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions
a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest income from holding company or other group companies:		
Dr. Reddy's Laboratories SA	595	622
Rental Income from holding company or other group companies:		
Dr. Reddy's Laboratories SA	200	208

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

Particulars	As at 31 March 2017	As at 31 March 2016
Due from holding company and other group companies(included in other current financial assets):		
Dr. Reddy's Laboratories SA	45,605	42,291

1.3 Taxation

a. Current Taxes
The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.
b. Deferred Taxes
The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.4 Provisions, Contingent Liabilities and Contingent Assets
Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Principle Adjustments made with impact of Ind AS adoption
Reconciliation of equity as previously reported under Previous GAAP and that compared under Ind AS :

Particulars	As at 1 April 2015	As at 31 March 2016
Equity as per Indian GAAP	274,909	278,128
Adjustments:		
Impact on current and deferred taxes	-	176
Equity as per Ind AS	**274,909**	**278,304**

Reconciliation between financial results as previously reported under Previous GAAP and Ind AS for the year ended 31 March 2016

Profit for the year under previous GAAP	**3,219**
Impact on current and deferred taxes	176
Profit for the year under Ind AS	**3,395**

1.6 The company, incorporated in Canada , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

Dr. Reddy’s Laboratories International SA

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

Note 2: Notes to financial statements (continued)

2.1 : Property, plant and equipment

	Gross Block				Depreciation				Net Block	
Description	**As at 01.4.2016**	**Additions**	**Disposals**	**As at 31.03.2017**	**As at 01.4.2016**	**For the year**	**Disposals**	**As at 31.03.2017**	**As at 31.03.2017**	**As at 31.03.2016**
Plant and machinery	3,581	-	-	3,581	1,448	200	-	1,648	1,933	2,133
Total	**3,581**	**-**	**-**	**3,581**	**1,448**	**200**	**-**	**1,648**	**1,933**	**2,133**

	Gross Block				Depreciation				Net Block	
Description	**As at 01.4.2015**	**Additions**	**Disposals**	**As at 31.03.2016**	**As at 01.4.2015**	**For the year**	**Disposals**	**As at 31.03.2016**	**As at 31.03.2016**	**As at 01.4.2015**
Plant and machinery	3,581	-	-	3,581	1,250	198	-	1,448	2,133	2,331
Total	**3,581**	**-**	**-**	**3,581**	**1,250**	**198**	**-**	**1,448**	**2,133**	**2,331**

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

Note 2: Notes to the financial statements

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2: Investments carried at cost			
Investment in subsidiary companies	225,582	225,512	225,512
	225,582	**225,512**	**225,512**

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Other non current assets			
Advance income tax, net of provision	180	28	-
	180	**28**	**-**

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Loans and Advances			
Other advances	45,391	42,064	38,598
	45,391	**42,064**	**38,598**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.5 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	2,753	9,238	8,001
	2,753	**9,238**	**8,001**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.6 : Other Assets			
Other assets receivable from holding company and other group companies	214	227	1,437
	214	**227**	**1,437**

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

Note 2: Notes to the financial statements

2.7 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
6,900,000 (31 March 2016 : 6,900,000; 1 April 2015: 6,900,000) equity shares of CHF 1 each	372,221	372,221	372,221
Issued equity capital			
5,100,000 (31 March 2016: 5,100,000;1 April 2015: 5,100,000) equity shares of CHF 1 each	275,120	275,120	275,120
Subscribed and fully paid-up			
5,100,000 (31 March 2016: 5,100,000;1 April 2015: 5,100,000) equity shares of CHF 1 each	275,120	275,120	275,120
	275,120	**275,120**	**275,120**

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

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
Number of shares outstanding at the beginning of the year	5,100,000	275,120	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**	**5,100,000**	**275,120**

(b) **Details of shareholders holding more than 5% shares in the Company**

Particulars	As at 31 March 2016		As at 31 March 2015		As at 1 April 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares	No.of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	5,100,000	100%	5,100,000	100%	5,100,000	100%

FINANCIAL LIABILITIES

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.8 : Other financial liabilities			
Accrued expenses	727	898	813
Other current liabilities	-	-	-
	727	**898**	**813**

Other Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.9 : Other Current Liabilities			
Due to statutory authorities	16	-	157
	16	**-**	**157**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.10 : Other income		
Interest income	595	622
Other operating revenues	200	208
Foreign exchange gain,net	-	3,453
	795	**4,283**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.11 : Depreciation and amortisation expense		
Depreciation of Property, plant and equipment	200	198
	200	**198**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.12 : Other expenses		
Legal and professional	486	726
Foreign exchange loss, net	3,055	-
Bank Charges	49	33
	3,590	**759**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.13 : Tax expense		
Current tax expense	-	(69)
	-	**(69)**

Independent Auditors' 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 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Current assets				
Financial assets				
Loans	2.1	183	-	-
Cash and cash equivalents	2.2	1,267	13,161	-
Total current assets		**1,450**	**13,161**	**-**
Total assets		**1,450**	**13,161**	**-**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.3	13,749	13,749	-
Other equity				
Retained earnings		(12,840)	(768)	-
Total equity		**909**	**12,981**	**-**
Current liabilities				
Financial Liabilities				
Other current financial liabilities	2.4	414	180	-
Other current liabilities	2.5	127	-	-
Total Liabilities		**541**	**180**	**-**
Total equity and liabilities		**1,450**	**13,161**	**-**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy’s Laboratories Japan KK**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

M V Narasimham
Director

Place: Hyderabad
Date: 9 May 2017

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 year ended 31 March 2017	For the year ended 31 March 2016
Continuing operations			
Foreign exchange gain,net		585	1,260
Total Income		**585**	**1,260**
Expenses			
Employee benefits expense	2.6	7,394	880
Other expenses	2.7	5,263	1,148
Total expense		**12,657**	**2,028**
Loss before tax		**(12,072)**	**(768)**
Income tax expense		-	-
Loss for the year		**(12,072)**	**(768)**
Earnings per share:			
Basic earnings per share of JPY 100 each		(47.45)	(10.59)
Diluted earnings per share of JPY 100 each		(47.45)	(10.59)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Japan KK**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

M V Narasimham
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
Loss before taxation	(12,072)	(768)
Adjustments to reconcile profit before tax to net cash flows:		
Net foreign exchange differences	(580)	(968)
Operating cash flows before working capital changes	**(12,652)**	**(1,736)**
Working capital adjustments:		
Increase in other assets	(168)	-
Increase in trade and other payables	361	167
	(12,459)	**(1,569)**
Income tax paid	-	-
Net cash flows from operating activities	**(12,459)**	**(1,569)**
Net cash flows used in investing activities	**-**	**-**
Net cash flows from/ (used in) financing activities		
Proceeds from issuance of share capital	-	13,749
	-	**13,749**
Net increase / (decrease) in cash and cash equivalents	(12,459)	12,180
Cash and cash equivalents at the beginning of the year	13,161	-
Effect of foreign exchange loss on cash and cash equivalents	565	981
Cash and cash equivalents at the end of the year	**1,267**	**13,161**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,267	13,161
Cash and bank balances at the end of the year	**1,267**	**13,161**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Japan KK**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

M V Narasimham
Director

Place: Hyderabad
Date: 9 May 2017

Dr. Reddy’s Laboratories Japan KK

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2015	**-**	**-**	-	-
Shares issued during the year	254,420	13,749	-	13,749
Loss for the period	-	-	(768)	(768)
Balance as of 31 March 2016	**254,420**	**13,749**	**(768)**	**12,981**
Loss for the period	-	-	(12,072)	(12,072)
Balance as of 31 March 2017	**254,420**	**13,749**	**(12,840)**	**909**

As per our report of even date attached

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

for and on behalf of the Board of Directors of **Dr. Reddy’s Laboratories Japan KK**

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

M V Narasimham
Director

Place: Hyderabad
Date: 9 May 2017

Dr. Reddy's Laboratories Japan KK

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.4 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from

IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

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

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Note 1: Significant Accounting Policies & Notes to Accounts (Continued)

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Dr. Reddy’s Laboratories Japan KK

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.3 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.4 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.5 The company, incorporated in Japan, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.6 The company was incorporated on 21 April 2015.Accordingly, comparitive figures as at 1 April 2015 are not presented in these financial statements.

Dr. Reddy’s Laboratories Japan KK

Notes to the Financial Statements

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

Financial Assets

2.1: Loans	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
(Unsecured, considered good unless otherwise stated)			
Advances to Other parties	183	-	-
	183	**-**	**-**

2.2 : Cash and cash equivalents	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Balances with banks:			
- On current accounts	1,267	13,161	-
Cash and cash equivalents	**1,267**	**13,161**	**-**

2.3 : Share capital	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
254,420(31 March 2016: 254,420) equity shares of JPY100 each	13,749	13,749	-
Issued equity capital			
254,420(31 March 2016: 254,420) equity shares of JPY100 each	13,749	13,749	-
Subscribed and fully paid-up			
254,420(31 March 2016: 254,420) equity shares of JPY100 each	13,749	13,749	-
	13,749	**13,749**	**-**

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

Particulars	**As at 31 March 2017**		**As at 31 March 2016**		**As at 1 April 2015**	
	No. of equity shares	**Amount**	**No. of equity shares**	**Amount**	**No. of equity shares**	**Amount**
Number of shares outstanding at the beginning of the year	254,420	13,749	-	-	-	-
Add:Shares issued during the year	-	-	254,420	13,749	-	-
Number of shares outstanding at the end of the year	**254,420**	**13,749**	**254,420**	**13,749**	**-**	**-**

(b) **Terms / rights attached to the equity shares**

The company has only one class of equity shares having a par value of JPY 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 2017**		**As at 31 March 2016**		**As at 1 April 2015**	
	No. of equity shares held	**% holding in the class**	**No. of equity shares held**	**% holding in the class**	**No. of equity shares held**	**% holding in the class**
Dr. Reddy's Laboratories SA	254,420	100%	254,420	100%	-	0%

Financial Liabilities

2.4 : Other financial liabilities	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Accrued expenses	414	180	-
	414	**180**	**-**

Other Liabilities

2.5 : Other current liabilities	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Due to statutory authorities	127	-	-
	127	**-**	**-**

2.6 : Employee Benefit expenses	For the year ended 31 March 2017	For the year ended 31 March 2016
Salaries,wages and bonus	7,394	880
	7,394	**880**

2.7 : Other expenses	For the year ended 31 March 2017	For the year ended 31 March 2016
Legal and professional	2,141	499
Rates and taxes	405	241
Rent	2,256	207
Other general expenses	461	201
	5,263	**1,148**

Independent Auditors' Report

To the Members of **Dr Reddy's Laboratories Kazakhstan LLP**

We have audited the accompanying financial statements of **Dr Reddy's Laboratories Kazakhstan LLP**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

Dr Reddy’s Laboratories Kazakhstan LLP
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property,plant and equipment	2.1	91	-	-
Other non current assets	2.2	429	-	-
		520	-	-
Current assets				
Inventories	2.3	10,678	-	-
Financial assets				
Cash and cash equivalents	2.4	27,305	-	-
Other assets	2.5	970	-	-
Other current assets	2.5	137	-	-
Total current assets		**39,090**	-	-
Total assets		**39,610**	-	-
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.6	30,862	-	-
Other equity				
Retained earnings		(3,809)	-	-
Total equity		**27,053**	-	-
Current liabilities				
Financial Liabilities				
Trade payables	2.7	10,652	-	-
Other current financial liabilities	2.8	1,148	-	-
Other current liabilities	2.9	757	-	-
Total Liabilities		**12,557**	-	-
Total equity and liabilities		**39,610**	-	-
Significant accounting policies	1			

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr Reddy’s Laboratories Kazakhstan LLP**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Nitul Kumar
General Director

Place: Hyderabad
Date: 9 May 2017

Dr Reddy’s Laboratories Kazakhstan LLP
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period ended 30 November 2016 to 31 March 2017	For the year ended 31 March 2016
Continuing operations			
Foreign exchange gain,net		91	-
Total Income		**91**	**-**
Expenses			
Employee benefit expense	2.10	2,437	-
Depreciation and amortisation expense	2.1	3	-
Other expenses	2.11	1,460	-
Total expense		**3,900**	**-**
Loss before tax		**(3,809)**	**-**
Income tax expense		-	-
Loss for the year		**(3,809)**	**-**
Earnings per share			
Basic - Par value KZT 1 per share		(0.03)	-
Basic - Par value KZT 1 per share		(0.03)	-
Significant accounting policies	1		

The accompanying notes are 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 of **Dr Reddy’s Laboratories Kazakhstan LLP**

PSRVV Surya Rao
Partner
Membership No. 202367

Nitul Kumar
General Director

Place: Hyderabad
Date: 9 May 2017

Dr Reddy's Laboratories Kazakhstan LLP

Cash Flow Statement

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

	For the period ended 30 November 2016 to 31 March 2017	For the year ended 31 March 2016
Operating activities		
Loss before taxation	(3,809)	-
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	3	-
Operating cash flows before working capital changes	**(3,806)**	-
Working capital adjustments:		
Increase in other assets	(1,536)	-
Increase in trade and other payables	12,557	-
Increase in inventories	(10,678)	-
	(3,463)	-
Income tax paid	-	-
Net cash flows from operating activities	**(3,463)**	-
Net cash flows used in investing activities		
Purchase of tangible assets,net	(94)	-
	(94)	-
Net cash flows from/ (used in) financing activities		
Proceeds from issuance of share capital	30,862	-
	30,862	-
Net increase / (decrease) in cash and cash equivalents	27,305	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	**27,305**	-
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	27,305	-
Cash and bank balances at the end of the year	**27,305**	-

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr Reddy's Laboratories Kazakhstan LLP**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Nitul Kumar
General Director

Place: Hyderabad
Date: 9 May 2017

Dr Reddy’s Laboratories Kazakhstan LLP

Statement of Changes in Equity

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

2.3 Total equity

Particulars	Share Capital		Reserves and surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2015	-	-	-	-
Shares issued during the year	-	-	-	-
Profit for the period	-	-	-	-
Balance as of 31 March 2016	-	-	-	-
Loss for the period	390,000,000	30,862	(3,809)	27,053
Balance as of 31 March 2017	**390,000,000**	**30,862**	**(3,809)**	**27,053**

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr Reddy’s Laboratories Kazakhstan LLP**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Nitul Kumar
General Director

Place: Hyderabad
Date: 9 May 2017

Note 1: Significant Accounting Policies & Notes to Accounts:

Basis of preparation:

These statements are prepared in accordance with the Ind AS.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Dr Reddy’s Laboratories Kazakhstan LLP

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions

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

Particulars	As at 31 March 2017	As at 31 March 2016
Due to holding company and other group companies(included in other current financial liabilities):		
Dr. Reddy's Laboratories Limited	10,323	-

1.3 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.4 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 The company is incorporated on 30 November 2016 under the laws of Khazakstan , is a 100% subsidiary of Dr. Reddy's Laboratories SA.Accordingly comparitive figures are not presented.

Dr Reddy’s Laboratories Kazakhstan LLP
Notes to Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.1 : Property, plant and equipment

	Gross Block				Depreciation				Net Block	
Description	**As at 1 April 2016**	**Additions**	**Disposals**	**As at 31 March 2017**	**As at 1 April 2016**	**For the year**	**Disposals**	**As at 31 March 2017**	**As at 31 March 2017**	**As at 31 March 2016**
Office Equipment	-	94	-	94	-	3	-	3	91	-
Total	**-**	**94**	**-**	**94**	**-**	**3**	**-**	**3**	**91**	**-**

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

Note 2: Notes to the financial statements

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Other non current assets			
Capital Advances	429	-	-
	429	**-**	**-**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Inventories			
Finished goods (at lower of cost and net realisable value)	10,678	-	-
	10,678	**-**	**-**

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	27,305	-	-
Cash and cash equivalents	**27,305**	**-**	**-**

2.5 : Other assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Financial Assets			
Other financial assets	970	-	-
Other Assets			
Prepaid expenses	15	-	-
Balances with statutory agencies	122	-	-
	137	**-**	**-**

Dr Reddy’s Laboratories Kazakhstan LLP

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

2.6 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
390,000,000 (31 March 2016 and 1 April 2015 : NIL) equity shares of KZT 1 each	30,862	-	-
Issued equity capital			
390,000,000 (31 March 2016 and 1 April 2015 : NIL) equity shares of KZT 1 each	30,862	-	-
Subscribed and fully paid-up			
390,000,000 (31 March 2016 and 1 April 2015 : NIL) equity shares of KZT 1 each	30,862	-	-
	30,862	**-**	**-**

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

Particulars	**As at 31 March 2016**		**As at 31 March 2015**		**As at 1 April 2015**	
	No. of equity shares	**Amount**	**No. of equity shares**	**Amount**	**No. of equity shares**	**Amount**
Number of shares outstanding at the beginning of the year	-	-	-	-	-	-
Add:Shares issued during the year	390,000,000	30,862	-	-	-	-
Number of shares outstanding at the end of the year	**390,000,000**	**30,862**	-	-	-	-

(b) **Terms / rights attached to the equity shares**

The company has only one class of equity shares having a par value of KZT 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**		**As at 1 April 2015**	
	No. of equity shares held	**% holding in the class**	**No. of equity shares held**	**% holding in the class**	**No. of equity shares held**	**% holding in the class**
Dr. Reddy's Laboratories SA	390,000,000	100%	-	-	-	-

Financial Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.7 : Trade payables			
Trade payables to others	330	-	-
Payables to holding and other group companies	10,323	-	-
	10,652	**-**	**-**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.8 : Other financial liabilities			
Accrued expenses	989	3,840	-
Other liabilities	159	113	-
	1,148	**3,953**	**-**

Other Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.9 : Other current liabilities			
Salary and bonus payable	685	-	-
Due to statutory authorities	72	-	-
	757	**-**	**-**

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

Note 2: Notes to the financial statements

	For the period 30 November 2016 to 31 March 2017	For the year ended 31 March 2016
2.10 : Employee benefit expenses		
Salaries,wages and bonus	2,423	-
Contribution to provident and other funds	14	-
	2,437	**-**

2.5 : Other expenses	For the period 30 November 2016 to 31 March 2017	For the year ended 31 March 2016
Bank charges	3	-
Legal and professional	1,198	-
Travel expenses	173	-
Rent expense	19	-
Other general expenses	68	-
	1,460	**-**

HLB Ukraine

Audit & Tax Services

Ref. No. 10-AB
від 10.02.2017 р.

INDEPENDENT AUDITOR'S REPORT

To: Director of
"Dr. Reddy's Laboratories" LLC
Mr. Peyetti Udaya Bhaskar

Opinion

We have audited financial statements of "Dr. Reddy's Laboratories" LLC (further – the Company), which comprise the Balance Sheet as at December 31, 2016, Profit and Loss Statement, Statement of Changes in Equity, Cash Flows Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company are prepared, in all material respects, in accordance with the Ukrainian Accounting Standards (UAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* and with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the Ukrainian Accounting Standards (UAS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud and error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise form fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken of the basis of these financial statements.

Україна, Київ 01011, вул. Гусовського 11/11, оф. 3
Тел.: +38 044 569 1900, +38 044 222 6010, +38 044 569 9080, Моб.: +38 067 466 1777, E-mail: office@hlb.com.ua

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misinterpretations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

General Director
"HLB" LLC
(Certificate No. 006812 of ACU,
Certificate ACCA DipIFR No. 1734596) Olga Samusieva

Senior Auditor
(Certificate A No. 006175 of ACU,
Certificate ACCA DipIFR No. 1620263) Galina Neplueva

Senior Auditor
(Certificate No. 007062 of ACU) Nataliya Kolodach

February 10, 2017

"HLB" LLC
11/11 Gusovskogo Street, office 3, Kyiv, Ukraine

Annex No. 1
to the Provision (standard) of the accounting No. 1
"General requirements to financial statements"

			Codes
		DATE (Year, month, day)	2017 01 01
Enterprise	"Dr. Reddy's Laboratories" LLC	USREOU	37560808
Territory	Kyiv Oblast	COATSU	3220800000
Type of ownership	Limited Liability Company	CTO	240
Type of economic activity	Wholesale trade in pharmaceutical goods	CEA	46.46
Average number of employees[1]	51		
Address, telephone:	121 Kyivskyy Shliakh Street, Velyka Oleksandrivka Village, Boryspil District, Kyiv Region, 08320		
Unit of measurement:	Thousands UAH without decimal place (except for Section IV of the Statement on Financial Results (Comprehensive Income Statement), indexes of which are provided with kopecks)		

Prepared (please tick «v» where requested):
according to accounting standards | v
according to international financial reporting standards |

BALANCE SHEET
(STATEMENT OF FINANCIAL POSITION)
as of 31.12.2016

Form No. 1 SCAD code 1801001

Assets	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
1. Non-current assets			
Intangible assets:	1000	50	72
historical cost	1001	160	211
depreciation	1002	110	139
Capital investments in-progress	1005	360	2 584
Fixed assets:	1010	2 493	2 022
historical cost	1011	6 139	6 899
depreciation	1012	3 646	4 877
Investment property	1015	-	-
historical cost	1016	-	-
depreciation	1017	-	-
Long-term biological assets	1020	-	-
historical cost	1021	-	-
Accumulated depreciation	1022	-	-
Long-term financial investments:			
accounted for under equity method	1030	-	-
other financial investments	1035	-	-
Long-term accounts receivable	1040	-	2 968
Deferred tax assets	1045	2 055	3 190
Goodwill	1050	-	-
Deferred acquizition costs	1060	-	-
Cash balance in centralized insurance reserve funds	1065	-	-
Other non-current assets	1090	-	-
Total under the section I	**1095**	**4 958**	**10 836**
II. Current assets			
Stocks	1100	138 682	194 351
Production stocks	1101	81	93
Not finished production	1102	-	-
Finished goods	1103	-	-
Goods	1104	138 601	194 258
Current biological assets	1110	-	-
Deposits of reinsurance	1115	-	-
Received bills	1120	-	-

Receivables for the products, goods, work, services	1125	88 557	119 298
Receivables under the settlements:			
on advances issued	1130	-	4 655
with budget	1135	5 158	4 367
including income tax	1136	2 910	-
from accrued income	1140	-	-
from internal settlements	1145	-	-
Other current receivables	1155	11 301	4 063
Current financial investment	1160	-	-
Cash assets and their equivalents:	1165	18 123	13 419
Cash	1166	-	-
Accounts in the banks	1167	18 123	13 419
Expenditures of the future periods	1170	78	123
Reinsurers' share in insurance reserves	1180	-	-
including in: provisions for long term liabilities	1181	-	-
provisions for losses or provisions for due payments	1182	-	-
provisions for unearned bonuses	1183	-	-
other insurance provisions	1184	-	-
Other current assets	1190	638	1 205
Total under the section II	**1195**	**262 537**	**341 481**
III. Non-current assets held for sale and groups of disposal	**1200**	-	-
Balance	**1300**	**267 495**	**352 317**
Liabilities	**Line code**	**At the beginning of the reporting period**	**At the end of the reporting period**
1	2	3	4
I. Equity capital			
Registered (share) capital	1400	11 968	11 968
Contributions to unregistered capital	1401	-	-
Capital in revaluation	1405	-	-
Additional capital	1410	-	-
Share premium	1411	-	-
Accumulated currency differences	1412	-	-
Reserve capital	1415	-	-
Non-distributed income (non-covered loss)	1420	(11 640)	(4 359)
Non-paid capital	1425	-	-
Excluded capital	1430	-	-
Other provisions	1435	-	-
Total under the section I	**1495**	**328**	**7 609**
II. Long-term liabilities and provisions			
Deferred tax liabilities	1500	-	-
Pension liabilities	1505	-	-
Long-term bank loans	1510	-	-
Other long-term liabilities	1515		-
Long-term provisions	1520	-	-
Long term ensurance of personel expenses	1521	-	-
Special-purpose financing	1525	-	-
Charity assistance	1526	-	-
Insurance provisions	1530	-	-
including in: provisions for long term liabilities	1531	-	-
provisions for losses or provisions for due payments	1532	-	-
provisions for unearned bonuses	1533	-	-
other insurance provisions	1534	-	-
Investment agreements	1535	-	-
Prize fund	1540	-	-
Provision for payment of jackpot	1545	-	-
Total under the section II	**1595**		-

III. Current liabilities and provisions			
Short-term bank loans	1600	-	-
Provided bills	1605	-	-
Current payables under:			
long-term liabilities	1610	-	-
goods, work, services	1615	260 843	327 351
settlements with budget	1620	265	785
including under income tax	1621	-	784
insurance	1625	-	-
labor payment	1630	-	76
current payables under advances received	1635	-	-
settlements with members	1640	-	-
internal settlements	1645	-	-
Insurance activity	1650	-	-
Current provisions	1660	4 224	15 611
Income of future periods	1665	-	-
Deferred commission income from reinsurers	1670	-	-
Other current liabilities	1690	1 835	883
Total under the section III	**1695**	**267 167**	**344 708**
IV. Liabilities related to non-current assets held for sale and groups of disposal	**1700**	-	-
V. Net cost of the assets of non-government pension fund	**1800**	-	-
Balance	**1900**	**267 495**	**352 317**

1 To be determined according to the procedure established by the central body of executive power which implements the state policy in the area of statistics.

Head ____________ Peyetti Udaya Bhaskar

Chief Accountant ____________ Viktoriya Tsvetkova

ТОВ «ЕЙЧ ЕЛ БІ»
Перевірено аудитором
10.02.2017
дата підпис

	Codes
DATE (Year, month, day)	2017 | 01 | 01
USREOU	37560808

Enterprise "Dr. Reddy's Laboratories" LLC

STATEMENT OF FINANCIAL RESULTS (COMPREHENSIVE INCOME STATEMENT)

for 2016

Form No. 2 SCAD code 1801003

I. FINANCIAL RESULTS

Item	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Net income from sale of products (goods, works, services)	2000	542 581	383 001
Net earned insurance premiums	2010	-	-
Bonuses signed, gross amount	2011	-	-
Bonuses transferred to reinsurance	2012	-	-
Change in provision for unearned bonuses, gross amount	2013	-	-
Change in share of reinsurers in provision for unearned bonuses	2014	-	-
Cost of sold products (goods, work, services)	2050	(387 767)	(288 350)
Net incurred loss under insurance payments	2070	-	-
Gross:			
profit	2090	154 814	94 651
loss	2095	-	-
Income (loss) from changes in the provisions of long-term liabilities	2105	-	-
Income (loss) from changes in other insurance provisions	2110	-	-
Change in other insurance provisions, gross amount	2111	-	-
Change in share of reinsurers in other insurance provisions	2112	-	-
Other operating income	2120	51 757	218 423
Profit from change in the cost of assets that are evaluated at fair cost	2121	-	-
Profit from the initial recognition of biological assets and agricultural products	2122	-	-
Administrative expenses	2130	(15 629)	(12 581)
Selling expenses	2150	(80 591)	(53 103)
Other operating expenses	2180	(101 062)	(258 476)
Expenses from change of cost of assets that are evaluated at fair cost	2181	-	-
Expenses from the initial recognition of biological assets and agricultural products	2182	-	-
Financial result from operational activities:		-	-
profit	2190	9 289	-
loss	2195	-	(11 086)
Profit from capital membership	2200	-	-
Other financial income	2220	705	103
Other income	2240	-	-
Charity income	2241	-	-
Financial expenses	2250	-	-
Loss from capital membership	2255	-	-
Other expenses	2270	(1)	(27)
Profit (loss) from inflation on monetary articles	2275	-	-
Financial result before tax:		-	-
profit	2290	9 993	-
loss	2295	-	(11 010)

Loss (profit) under income tax	2300	(2 712)	(3 527)
Profit (loss) from discontinued operations after taxation	2305	-	-
Net financial result:			
profit	2350	7 281	-
loss	2355	-	(14 537)

II. COMPREHENSIVE INCOME

Name of the index	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Increase (decrease) in the value of non-current assets	2400	-	-
Increase (decrease) in the value of financial instruments	2405	-	-
Accumulated exchange rate differences	2410	-	-
Share of other comprehensive income of associated and joint enterprises	2415	-	-
Other comprehensive income	2445	-	-
Other comprehensive income before taxation	2450	-	-
Income tax related to other comprehensive income	2455	-	-
Other comprehensive income after taxation	**2460**	**-**	**-**
Comprehensive income (sum of lines 2350, 2355 and 2460)	**2465**	**7 281**	**(14 537)**

III. ELEMENTS OF OPERATING EXPENSES

Name of the index	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Material expenses	2500	18 655	25 086
Salary expenses	2505	22 139	16 654
Contributions on social events	2510	3 049	3 374
Depreciation	2515	1 305	1 347
Other operational expenses	2520	152 134	277 699
Total	**2550**	**197 282**	**324 160**

IV. CALCULATION OF SHARES PROFITABILITY INDEXES

Name of the index	Line code	For the reporting period	For the previous period
1	2	3	4
Average annual number of ordinary shares	2600	-	-
Adjusted average annual number of ordinary shares	2605	-	-
Net profit (loss) per one ordinary share	2610	-	-
Adjusted net profit (loss) per one ordinary share	2615	-	-
Dividends per one ordinary share	2650	-	-

Head ________ Peyetti Udaya Bhaskar

Chief Accountant ________ Viktoriya Tsvetkova

ТОВ «ЕЙЧ ЕЛ БІ»
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16.02.2017
дата підпис

	Codes
DATE (Year, month, day)	2017 | 01 | 01
USREOU	37560808

Enterprise "Dr. Reddy's Laboratories" LLC

CASH FLOW STATEMENT (indirect method)

for 2016

Form No. 3-н SCAD code 1801004

Item	Line code	For the reporting period		For the same previous period of previous year	
		revenues	expenditures	revenues	expenditures
1	2	3	4	5	6
I. Cash flow from operational activities					
Profit (loss) from ordinary activity before tax	3500	9 993	-	-	11 203
Adjustment for: depreciation of non-current assets	3505	1 305	X	1 347	X
increase (decrease) of security	3510	11 387	-	1 594	-
loss (profit) from unrealized exchange rate differences	3515	-	20	102 831	-
loss (profit) from non-operational activity and other non-cash transactions	3520	-	704	-	76
Profit (loss) from ownership interest	3521	-	-	-	-
Change in value of assets evaluated as per their fair value, and income (expenses) from primary recognition	3522	-	-	-	-
Loss (profit) from sales of non-current assets kept for sale, and disposal groups	3523	-	-	33	-
Loss (profit) from sales of financial investments	3524	-	-	-	-
Reduction (renewal) of non-current assets utility	3526	-	-		-
Financial costs	3540	-	-	-	-
Reduction (increase) of current assets	3550		-		43 936
Increase (reduction) of inventories	3551	-	55 669	-	11 563
Increase (reduction) of current biological assets	3552	-	-	-	-
Increase (reduction) of receivables for products, goods, and services	3553	-	30 741	-	19 991
Reduction (increase) of other current receivables	3554	-	2 679	-	9 851
Reduction (increase) of deferred expenses	3556	-	45	-	10
Reduction (increase) of other current assets	3557	-	567	-	2 522
Increase (reduction) of current liabilities	3560	-	-	-	34 775
Increase (reduction) of current payables for goods, works, services	3561	62 202	-	-	35 575
Increase (reduction) of current payables on budget settlements	3562	-	89	-	28
Increase (reduction) of current payables on insurance settlements	3563	-	-	-	1
Increase (reduction) of current payables on labor payment	3564	78	-	-	61
Increase (reduction) of deferred income	3566		-	-	-
Increase (reduction) of other current liabilities	3567	3 195	-	889	-
Cash from operational activity	3570	-	2 355	15 782	-
Corporate income tax paid	3580	X	152	X	10 261
Interest paid	3585	-	-	-	-
Net cash flow from operational activities	**3195**	-	**2 507**	**5 521**	-
II. Cash flow from investment activities					
Revenues from sales of: financial investments	3200	-	X	-	X
non-current assets	3205	-	X	-	X
Revenues from received: interest	3215	705	X	103	X
dividends	3220	-	X	-	X
Revenues from derivatives	3225	-	X	-	X
Revenues from loan repayments	3230	-	X	-	X
Revenues from subsidiary and other economic unit	3235	-	X	-	X
Other revenues	3250	-	X	-	X
Expenses for purchase of: financial investments	3255	X	-	X	-
non-current assets	3260	X	2 922	X	576

Payments under derivatives	3270	X	-	X	-
Expenses for loans provision	3275	X	-	X	-
Payment for purchase of subsidiary company or other economic unit	3280	X	-	X	-
Other payments	3290	X	-	X	-
Net cash flow from investment activities	**3295**	-	**2 217**	-	**473**
III. Cash flows as a result of financial activities					
Revenues from: Equity	3300	-	X	-	X
Loans received	3305	-	X	-	X
Revenues from sale of the share in subsidiary company	3310	-	X	-	X
Other revenues	3340	-	X	-	X
Expenses for: Purchase of the enterprise's own shares	3345	X	-	X	-
Loans repayment	3350	X	-	X	-
Dividends payment	3355	X	-	X	-
Interest payment	3360	X	-	X	-
Payment of financial lease debt	3365	X	-	X	-
Payment for purchase of the share in subsidiary company	3370	X	-	X	-
Payment to non-controlled shares in subsidiary companies	3375	X	-	X	-
Other payments	3390	X	-	X	-
Net cash flow from financial activities	**3395**	-	-	-	-
Net cash flow for reporting period	**3400**	-	**4 724**	**5 048**	-
Cash balance at beginning of the year	3405	18 123	X	9 235	X
Exchange rates impact on cash balance	3410	20	-	3 840	-
Cash balance at the end of the year	3415	13 419	-	18 123	-

Head ______ Peyetti Udaya Bhaskar

Chief Accountant ______ Viktoriya Tsvetkova

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10.02.2017
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		Codes
	DATE (Year, month, day)	2017 01 01
Enterprise "Dr. Reddy's Laboratories" LLC	USREOU	37560808

STATEMENT OF EQUITY

for 2016

Form No. 4 SCAD code 1801005

Item	Code	Registered capital	Capital in revaluation	Additional capital	Reserve capital	Non-distributed income (non-covered loss)	Non-paid capital	Excluded capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	4000	11 968	-	-	-	(10 232)	-	-	1 736
Adjustment:									
Change of accounting policy	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	(1 408)	-	-	(1 408)
Other changes	4090	-	-	-	-	-	-	-	-
Adjusted balance at the beginning of the year	4095	11 968	-	-	-	(11 640)	-	-	328
Net profit (loss) for the reporting period	4100	-	-	-	-	7 281	-	-	7 281
Other comprehensive profit for the reporting period	4110	-	-	-	-	-	-	-	-
Additional evaluation of fixed assets	4111	-	-	-	-	-	-	-	-
Additional evaluation of financial instruments	4112	-	-	-	-	-	-	-	-
Accumulated exchange differences	4113	-	-	-	-	-	-	-	-
Share of other comprehensive profit of associated and joint companies	4114	-	-	-	-	-	-	-	-
Other comprehensive profit	4116	-	-	-	-	-	-	-	-
Distribution of profit: Payments to owners (dividends)	4200	-	-	-	-	-	-	-	-
Directing profit to statutory capital	4205	-	-	-	-	-	-	-	-
Deductions to reserve capital	4210	-	-	-	-	-	-	-	-
Net profit amount to budget according to legislation	4215	-	-	-	-	-	-	-	-
Net profit amount for creation of specialized (purpose) funds	4220	-	-	-	-	-	-	-	-
Net profit amount for financial incentives	4225	-	-	-	-	-	-	-	-
Contributions of shareholders:									
Contributions of capital	4240	-	-	-	-	-	-	-	-

1	2	3	4	5	6	7	8	9	10
Repayment of debt from capital	**4245**	-	-	-	-	-	-	-	-
Exclusion of capital:									
Repurchase of shares	4260	-	-	-	-	-	-	-	-
Resale of repurchased shares	4265	-	-	-	-	-	-	-	-
Cancellation of repurchased shares	4270	-	-	-	-	-	-	-	-
Exclusion of share in capital	4275	-	-	-	-	-	-	-	-
Reduction of the nominal cost of shares	4280	-	-	-	-	-	-	-	-
Other changes in capital:	**4290**	-	-	-	-	-	-	-	-
Purchase (sale) of non-controlling share in the subsidiary company	4291	-	-	-	-	-	-	-	-
Total changes in capital	**4295**	-	-	-	-	**7 281**	-	-	**7 281**
Balance at the end of the year	**4300**	**11 968**	-	-	-	**(4 359)**	-	-	**7 609**

Head ____________ Peyetti Udaya Bhaskar

Chief Accountant ____________ Viktoriya Tsvetkova

ТОВ «ЕЙЧ ЕЛ БІ»
Перевірено аудитором

		Codes		
	DATE (Year, month, day)	2017	01	01
Enterprise "Dr. Reddy's Laboratories" LLC	USREOU	37560808		

NOTES TO FINANCIAL STATEMENTS
for 2016

I. Intangible assets

Groups of intangible assets	Line code	Balance at the beginning of the year		Received within the year	Revaluation (additional estimation +, markdown -)		Disposed within the year		Depreciation accrued for a year	Losses due to decrease of usefulness for a year	Other changes for a year		Balance at the end of the year	
		Historical (revaluated) cost	Accumulated depreciation		Historical (revaluated) cost	Accumulated depreciation	Historical (revaluated) cost	Accumulated depreciation			Historical (revaluated) cost	Accumulated depreciation	Historical (revaluated) cost	Accumulated depreciation
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Natural resources usage rights	010	-	-	-	-	-	-	-	-	-	-	-	-	-
Property usage rights	020	-	-	-	-	-	-	-	-	-	-	-	-	-
Rights on commercial designations	030	-	-	-	-	-	-	-	-	-	-	-	-	-
Rights on industry property objects	040	-	-	-	-	-	-	-	-	-	-	-	-	-
Copyrights and related rights	050	-	-	-	-	-	-	-	-	-	-	-	-	-
	060	-	-	-	-	-	-	-	-	-	-	-	-	-
Other intangible assets	070	160	110	51	-	-	-	-	29	-	-	-	211	139
Total	080	160	110	51	-	-	-	-	29	-	-	-	211	139
Goodwill	090	-	-	-	-	-	-	-	-	-	-	-	-	-

From line 080 graph 14	Cost of intangible assets regarding which exist limitations of property rights	(081)	-
	Cost of pledged intangible assets	(082)	-
	Cost of intangible assets created by the Company	(083)	-
From line 080 graph 5	Cost of intangible assets received at the expense of purpose allocations	(084)	-
From line 080 graph 15	Accumulated depreciation of intangible assets regarding which exist limitations of property rights	(085)	-

II. Fixed assets

Groups of fixed assets	Line code	Balance at the beginning of the year		Received within the year	Revaluation (additional estimation +, markdown -)		Disposed within the year		Depreciation accrued for a year	Losses due to decrease of usefulness	Other changes for a year		Balance at the end of the year		including			
															Received under financial lease		Transferred to operational lease	
		Historical (revaluated) cost	Depreciation		Historical (revaluated) cost	Depreciation	Historical (revaluated) cost	Depreciation			Historical (revaluated) cost	Depreciation	Historical (revaluated) cost	Depreciation	Historical (revaluated) cost	Depreciation	Historical (revaluated) cost	Depreciation
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Land plots	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	105	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenses on land improvement	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings, constructions and radio equipment	120	2 601	1 212	-	-	-	-	-	520	-	-	-	2 601	1 732	-	-	-	1 732
Machines and equipment	130	1 179	937	607	-	-	27	26	226	-	-	-	1 759	1 137	-	-	-	-
Vehicles	140	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tools, instruments, equipment (furniture)	150	1 735	980	165	-	-	-	-	461	-	-	-	1 900	1 441	-	-	-	-
Animals	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Perennial plantations	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other fixed assets	180	177	70	-	-	-	-	-	35	-	-	-	177	105	-	-	-	-
Library funds	190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Low-value non-current tangible assets	200	447	447	29	-	-	14	14	29	-	-	-	462	462	-	-	-	-
Temporary (non-title) constructions	210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Natural resources	220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Packing	230	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental items	240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current tangible assets	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	260	6 139	3 646	801	-	-	41	40	1 271	-	-	-	6 899	4 877	-	-	-	1 732

From line 260 graph 14 Cost of fixed assets regarding which exist limitations of property rights stipulated by the current legislation	(261)	-
Cost of pledged fixed assets	(262)	-
Residual cost of fixed assets temporarily not in use (conservation, reconstruction, etc.)	(263)	-
Historical (revaluated) cost of completely depreciated fixed assets	(264)	-
Fixed assets of leased integral property complexes	(264.1)	-
From line 260 graph 8 Cost of fixed assets for sale	(265)	-
Residual cost of fixed assets lost due to extraordinary events	(265.1)	-
From line 260 graph 5 Cost of fixed assets purchased at the expense of purpose financing	(266)	-
Cost of fixed assets under operational lease	(267)	-
From line 260 graph 15 Depreciation of fixed assets regarding which exist limitations of property rights	(268)	-
From line 105 graph 14 Cost of investment property evaluated under fair cost	(269)	-

III. Capital investments

Index's name	Line code	For a year	At the end of a year
1	2	3	4
Capital building	280	-	-
Purchase (production) of fixed assets	290	2 322	1 756
Purchase (production) of other non-current tangible assets	300	152	122
Purchase (creation) of intangible assets	310	722	706
Purchase (growing) of long-term biological assets	320	-	-
Other	330	-	-
Total	340	3 196	2 584

From line 340 graph 3 capital investments in investment activities (341) -

financial expenses included in the structure of capital investments (342) (342) -

IV. Financial investments

Index's name	Line code	For a year	At the end of a year	
			long-term	current
1	2	3	4	5
A. Financial investments under equity method in:				
associated companies	350	-	-	-
subsidiaries	360	-	-	-
joint activity	370	-	-	-
Б. Other financial investments in:				
shares in the statutory capital of other companies	380	-	-	-
shares	390	-	-	-
bonds	400	-	-	-
other	410	-	-	-
Total (section A + section Б)	420	-	-	-

From line 045 graph 4 of the Balance Sheet Other long-term financial investments are reflected:

at prime cost (421) -

at fair cost (422) -

at depreciated cost (423) -

From line 220 graph 4 of the Balance Sheet Current financial investments are reflected:

at prime cost (424) -

at fair cost (425) -

at depreciated cost (426) -

V. Income and expenses

Index's name	Line code	Income	Expenses
1	2	3	4
A. Other operational income and expenses			
Operational lease of assets	440	4 188	-
Operational exchange difference	450	29 296	65 954
Sale of other current assets	460	1	-
Fines, penalties, forfeits	470	-	365
Maintenance of public objects of social and cultural purpose	480	-	-
Other operational income and expenses	490	18 272	34 743
Including: deduction to doubtful debts provisions	491	X	-348
Non-productive expenses and losses	492	X	13 135
Б. Income and expenses from participation in capital under investments in:			
associated companies	500	-	-
subsidiaries	510	-	-
joint activity	520	-	-
B. Other financial income and expenses			
Dividends	530	-	X
Interest	540	X	-
Financial lease of assets	550	-	-
Other financial income and expenses	560	705	-
Г. Other income and expenses			
Sale of financial investments	570	-	-
Income from business association	580	-	-
Result of usefulness evaluation	590	-	-
Non-operational exchange difference	600	-	-
Assets received free of charge	610	-	X
Write-off of non-current assets	620	X	1
Other income and expenses	630	-	-

Exchange of commodities (barter) transactions with products (goods, works, services)	(631)	-
Part of income from sale of products (goods, works, services) under exchange of commodities (barter) contracts with related parties	(632)	- %
From lines 540-560 graph 4 financial expenses are included in the prime cost of main activity products	(633)	-

VI. Cash assets

Index's name	Line code	At the end of a year
1	2	3
Cashier's desk	640	-
Current account in bank	650	13 419
Other accounts in bank (letter of credit, check books)	660	-
Cash in transit	670	-
Cash assets equivalents	680	-
Total	690	13 419

From line 070 graph 4 of the Balance Sheet Cash assets the usage of which is limited	(691)	-

VII. Provisions and reserves

Types of provisions and reserves	Line code	Balance at the beginning of the year	Increase for the reporting year		Used in reporting year	Reversed amount used in reporting year	Amount of expected expenses reimbursement by other party, which is included when estimation of provision	Balance at the end of the year
			Accrued (created)	Additional deductions				
1	2	3	4	5	6	7	8	9
Provisions for payment of leaves to employees	710	589	1 415	-	1 020	-	-	984
Provisions of future expenses on additional pension	720	-	-	-	-	-	-	-
Provisions of future expenses on execution of warranty obligations	730	3 635	10 992	-	-	-	-	14 627
Provisions of future expenses on restructuring	740	-	-	-	-	-	-	-
Provisions of future expenses on execution of liabilities regarding onerous contracts	750	-	-	-	-	-	-	-
Other provisions	760	-	-	-	-	-	-	-
	770	-	-	-	-	-	-	-
Doubtful debts provisions	775	15 929	-348	-	-	-	-	15 581
Total	**780**	**20 153**	**12 059**	-	**1 020**	-	-	**31 192**

VIII. Inventories

Index's name	Line code	Balance cost at the end of the year	Revaluation for a year	
			Increase of net sale cost*	Markdown
1	2	3	4	5
Raw materials and materials	800	59	-	-
Purchasing semi-goods and component products	810	-	-	-
Fuel	820	-	-	-
Packing and packing materials	830	34	-	-
Building materials	840	-	-	-
Spare parts	850	-	-	-
Materials of agricultural purpose	860	-	-	-
Current biological assets	870	-	-	-
Low-value and non-durable assets	880	-	-	-
Production in progress	890	-	-	-
Ready-made production	900	-	-	-
Goods	910	194 258	-	1 779
Total	**920**	**194 351**	-	**1 779**

* Determined under item 28 of the **Provision (standard)** of the accounting No. 9 Inventories

From line 920 graph 3 Balance cost of inventories:

Reflected under fair sale cost	(921)	-
Transferred in processing	(922)	-
Pledged	(923)	-
Transferred under commission	(924)	-
Assets under custody (off-balance account 02)	(925)	-
From line 275 graph 4 of the Balance Sheet inventories for sale	(926)	-

IX. Receivables

Index's name	Line code	Total at the end of the year	including under lines of non-repayment		
			up to 12 months	from 12 up to 18 months	from 18 up to 36 months
1	2	3	4	5	6
Receivables for goods, works, services	940	119 298	-	-	-
Other current receivables	950	8 430	-	-	-

Doubtful debts written-off in the reporting year	(951)	-
From lines 930 and 950 graph 3 liabilities with related parties	(952)	-

X. Shortages and losses due to damage of valuables

Index's name	Line code	Amount
1	2	3
Revealed (written-off) shortages and losses for a year	960	-
Recognized as debt of persons responsible in the reporting period	970	-
Amount of shortages and losses on which final decision regarding persons responsible was not made at the end of the year (off-balance account 072)	980	-

XI. Building contracts

Index's name	Line code	Amount
1	2	3
Income under building contract for the reporting year	1110	-
Debt at the end of reporting year:		
gross debt of the Customers	1120	-
gross debt to the Customers	1130	-
on advances received	1140	-
Amount of trapped cash at the end of the year	1150	-
Cost of work performed by subcontractors under not finished building contracts	1160	-

XII. Income tax

Index's name	Line code	Amount
1	2	3
Current income tax	1210	3 846
Deferred tax assets: at the beginning of the reporting year	1220	2 055
at the end of reporting year	1225	3 190
Deferred tax liabilities: at the beginning of the reporting year	1230	-
at the end of reporting year	1235	-
Included in the Statement on financial results - total	1240	2 711
including: current income tax	1241	3 846
decrease (increase) of deferred tax assets	1242	-1 135
increase (decrease) of deferred tax liabilities	1243	-
Reflected in the structure of own equity – total	1250	-
including: current income tax	1251	-
decrease (increase) of deferred tax assets	1252	-
increase (decrease) of deferred tax liabilities	1253	-

XIII. Use of depreciation deductions

Index's name	Line code	Amount
1	2	3
Accrued in the reporting year	1300	1 300
Used within the year – total	1310	-
including for: building of objects	1311	-
purchase (production) and improvement of fixed assets	1312	-
including machines and equipment	1313	-
purchase (creation) of intangible assets	1314	-
repayment of loans received for capital investments	1315	-
	1316	-
	1317	-

XIV. Biological assets

Groups of biological assets	Line code	Accounted under historical cost										Accounted under fair cost				
		Balance at the beginning of the year		Received within the year	Disposed within the year		Depre-ciation accrued for a year	Losses due to decrease of usefulness	Benefits from restore of useful-ness	Balance at the end of the year		Balance at the beginning of the year	Received within the year	Cost changes for a year	Disposed within the year	Balance at the end of the year
		Historical cost	Accumu-lated depre-ciation		Historical cost	Accumu-lated depre-ciation				Historical cost	Accumu-lated depre-ciation					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Long-term biological assets – total including:	1410	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
draft cattle	1411	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
livestock	1412	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
perennial plantations	1413	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1414	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term biological assets	1415	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current biological assets - total including:	1420	-	x	-	-	x	x	-	-	-	x	-	-	-	-	-
animals on feeding and breeding	1421	-	x	-	-	x	x	-	-	-	x	-	-	-	-	-
biological assets in the state of biological transformation (except animals on feeding and breeding)	1422	-	x	-	-	x	x	-	-	-	x	-	-	-	-	-
	1423	-	x	-	-	x	x	-	-	-	x	-	-	-	-	-
Other current biological assets	1424	-	x	-	-	x	x	-	-	-	x	-	-	-	-	-
Total	1430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

From line 1430 graph 5 and graph 14 cost of biological assets purchased at the expense of purpose financing (1431) -

From line 1430 graph 6 and graph 16 residual cost of long-term biological assets, historical cost of current biological assets and fair cost of biological assets lost due to extraordinary events (1432) -

From line 1430 graph 11 and graph 17 balance cost of biological assets regarding which exist limitations of property rights stipulated by the current legislation (1433) -

XV. Financial results from primary recognition and sale of agricultural products and additional biological assets

Index's name	Line code	Cost of primary recognition	Expenses related to biological transformation	Result of primary recognition		Markdown	Sales income	Sales prime cost	Financial result (profit +, loss -) from	
				Income	Expenses				Sale	Primary recognition and sale
1	2	3	4	5	6	7	8	9	10	11
Products and additional plant biological assets - total	1500	-	-	-	-	-	-	-	-	-
including:		-	-	-	-	-	-	-	-	-
cereals and legumes	1510	-	-	-	-	-	-	-	-	-
including: wheat	1511	-	-	-	-	-	-	-	-	-
soybean	1512	-	-	-	-	-	-	-	-	-
sunflower	1513	-	-	-	-	-	-	-	-	-
rape	1514	-	-	-	-	-	-	-	-	-
sugar beet (factory)	1515	-	-	-	-	-	-	-	-	-
potato	1516	-	-	-	-	-	-	-	-	-
fruits (seeded, stoned)	1517	-	-	-	-	-	-	-	-	-
other crops	1518	-	-	-	-	-	-	-	-	-
Additional plant biological assets	1519	-	-	-	-	-	-	-	-	-
Products and additional animal biological assets - total	1520	-	-	-	-	-	-	-	-	-
including:		-	-	-	-	-	-	-	-	-
Increase of live weight – total	1530	-	-	-	-	-	-	-	-	-
including: cattle	1531	-	-	-	-	-	-	-	-	-
pigs	1532	-	-	-	-	-	-	-	-	-
milk	1533	-	-	-	-	-	-	-	-	-
wool	1534	-	-	-	-	-	-	-	-	-
eggs	1535	-	-	-	-	-	-	-	-	-
other animal products	1536	-	-	-	-	-	-	-	-	-
additional animal biological assets	1537	-	-	-	-	-	-	-	-	-
fish products	1538	-	-	-	-	-	-	-	-	-
	1539	-	-	-	-	-	-	-	-	-
Agricultural products and additional biological assets - total	1540	-	-	-	-	-	-	-	-	-

Head ____________ Peyetti Udaya Bhaskar

Chief Accountant ____________ Viktoriya Tsvetkova

ТОВ «ЕЙЧ ЕЛ БІ»
Перевірено аудиторами
10.02.2017

KPMG

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Independent Auditors' Report

The Board of Directors
Dr. Reddy's Laboratories Limited

We have audited the accompanying statements of financial position of Dr. Reddy's Laboratories LA LLC as of March 31, 2017 and 2016 and the related income statements, statements of comprehensive income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dr. Reddy's Laboratories LA LLC as of March 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

As discussed in Note 2 to the financial statements, the Company has changed its basis of accounting to IFRS during the year ended March 31, 2017. Consequently, the Company's financial statements for 2016 referred to above have been restated to conform to IFRS. Prior to adoption of IFRS, the Company prepared financial statements in accordance with accounting principles generally accepted in the India ("Indian GAAP").

Indian GAAP varies in certain significant respects from IFRS. Information relating to the nature and effect of such differences are presented in Note 2 to the financial statements.

KPMG

Hyderabad, India

May 12, 2017

DR. REDDY’S LABORATORIES LOUISIANA LLC

Financial Statements

March 31, 2017 and March 31, 2016

DR. REDDY'S LABORATORIES LOUISIANA LLC

Financial Statements

March 31, 2017 and March 31, 2016

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DR. REDDY'S LABORATORIES LOUISIANA LLC
STATEMENT OF FINANCIAL POSITION
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	Note	As of March 31, 2017	As of March 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents	11	63,448	658,321
Trade and other receivables	9	-	91,596,334
Inventories	8	9,343,735	10,174,978
Other current assets	10	552,380	1,446,550
Total current assets		**9,959,563**	**103,876,183**
Non-current assets			
Property, plant and equipment	5	47,314,062	35,390,801
Goodwill	6	2,479,209	2,479,209
Other intangible assets	7	27,397	360,731
Deferred tax assets	18	10,966,678	6,535,268
Total non-current assets		**60,787,346**	**44,766,009**
Total assets		**70,746,909**	**148,642,192**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	2,568,001	3,697,845
Loans and borrowings	17	39,321,645	20,089,687
Other current liabilities	14	3,756,608	3,282,689
Total current liabilities		**45,646,254**	**27,070,221**
Total liabilities		**45,646,254**	**27,070,221**
Equity			
Share capital	12	40,000,000	40,000,000
Retained earnings		(15,157,427)	81,350,634
Share based payment reserve		258,082	221,337
Total equity		**25,100,655**	**121,571,971**
Total liabilities and equity		**70,746,909**	**148,642,192**

The accompanying notes form an integral part of these financial statements.

DR. REDDY'S LABORATORIES LOUISIANA LLC
INCOME STATEMENT
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	Note	For the year ended March 31, 2017	For the year ended March 31, 2016
Revenue	16	42,583,070	92,157,268
Cost of revenue		49,646,334	62,479,752
Gross (loss) / profit		**(7,063,264)**	**29,677,516**
Selling, general and administrative expenses		4,571,328	5,408,074
Research and development expenses		290,010	-
Other (income)/expense, net	15	(93,807)	89,061
Total operating expenses		**4,767,531**	**5,497,135**
(Loss) / profit before income tax		**(11,830,795)**	**24,180,381**
Tax (benefit) / expense	18	(5,322,734)	6,536,331
(Loss) / profit for the year		**(6,508,061)**	**17,644,050**

The accompanying notes form an integral part of these financial statements.

DR. REDDY'S LABORATORIES LOUISIANA LLC
STATEMENT OF COMPREHENSIVE INCOME
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	For the year ended March 31, 2017	For the year ended March 31, 2016
(Loss) / profit for the year	**(6,508,061)**	**17,644,050**
Other comprehensive income		
Items that will not be reclassified to profit or loss:	-	-
Total items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Total items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive (loss) / profit for the year, net of income tax	**(6,508,061)**	**17,644,050**
Total comprehensive (loss) / profit for the year	**(6,508,061)**	**17,644,050**

The accompanying notes form an integral part of these financial statements.

DR. REDDY'S LABORATORIES LOUISIANA LLC
STATEMENT OF CHANGES IN EQUITY
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	Share Capital	Share based Payment reserve	Retained earnings	Total
Balance as of April 01, 2015 (A)	**40,000,000**	**172,590**	**63,706,584**	**103,879,174**
Total Comprehensive income				
Profit for the period	-	-	17,644,050	17,644,050
Foreign currency translation adjustments	-	-	-	-
Total Comprehensive income (B)	**-**	**-**	**17,644,050**	**17,644,050**
Transactions with owners of the Company				
Contributions and distributions				
Share based payment expense	-	48,747	-	48,747
Total contributions and distributions	**-**	**48,747**	**-**	**48,747**
Total transactions with owners of the Company (C)	-	-	-	-
Balance as of March 31,2016 [(A)+(B)+(C)]	**40,000,000**	**221,337**	**81,350,634**	**121,571,971**
Balance as of April 01, 2016 (A)	**40,000,000**	**221,337**	**81,350,634**	**121,571,971**
Total Comprehensive income				
Loss for the period	-	-	(6,508,061)	(6,508,061)
Foreign currency translation adjustments	-	-	-	-
Total Comprehensive income (B)	**-**	**-**	**(6,508,061)**	**(6,508,061)**
Transactions with owners of the Company				
Contributions and distributions				
Share based payment expense	-	36,745	-	36,745
Dividend paid	-	-	(90,000,000)	(90,000,000)
Total contributions and distributions	**-**	**36,745**	**(90,000,000)**	**(89,963,255)**
Total transactions with owners of the Company (C)	-	**36,745**	**(90,000,000)**	**(89,963,255)**
Balance as of March 31,2017 [(A)+(B)+(C)]	**40,000,000**	**258,082**	**(15,157,427)**	**25,100,655**

DR. REDDY'S LABORATORIES LOUISIANA LLC
STATEMENT OF CASH FLOWS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	For the year ended	
	March 31, 2017	**March 31, 2016**
Cash flows from/(used in) operating activities:		
(Loss)/profit for the year	(6,508,061)	17,644,050
Adjustments for:		
Depreciation and amortization	3,715,984	5,614,900
Loss on sale of property, plant and equipment	51,394	94,434
Impairment loss on other intangible assets	-	295,739
Share based payment expense	36,745	48,747
Inventory write down	2,377,933	1,271,421
Income tax expense / (benefit)	(5,322,734)	6,536,331
Changes in operating assets and liabilities:		
Trade receivables	91,596,334	(25,061,763)
Inventories	(1,546,690)	(613,990)
Other assets and other liabilities	(87,740,585)	8,973,219
Trade payables	(785,384)	(2,537,967)
Net cash from operating activities	**(4,125,064)**	**12,265,121**
Cash flows from/(used in) investing activities:		
Expenditure on property, plant and equipment	(15,701,767)	(7,570,567)
Net cash used in investing activities	**(15,701,767)**	**(7,570,567)**
Cash flows from/(used in) financing activities:		
Proceeds from loans and borrowings from parent company, net	19,231,958	(5,627,933)
Net cash used in financing activities	**19,231,958**	**(5,627,933)**
Net decrease in cash and cash equivalents	**(594,873)**	**(933,379)**
Cash and cash equivalents at the beginning of the year	658,321	1,591,700
Cash and cash equivalents at the end of the year	**63,448**	**658,321**

1. Reporting entity

Dr. Reddy's Laboratories Louisiana LLC ("DRL Louisiana") incorporated in April 2008, for acquiring a contract manufacturing plant from BASF, Shreveport, Louisiana, USA. As a result of this acquisition, DRL Louisiana has become a 100% subsidiary of Dr. Reddy's Laboratories Inc.

2. Basis of preparation of financial statements

a. Statement of compliance

These financial statements as at and for the year ended March 31, 2017 have been prepared in accordance with the International Financial Reporting Standards and its interpretations ("IFRS") issued by the International Accounting Standards Board ("IASB"). These are the Company's first IFRS financial statements and IFRS 1, "First-time adoption of International Financial Reporting Standards," has been applied. The transition was carried out from the accounting principles generally accepted in India ("Indian GAAP", referred to herein as "Previous GAAP"), which is considered as the Company's previous GAAP, as defined in IFRS 1.

An explanation of how the transition to IFRS has affected the Company's equity and profit is provided below.

These financial statements have been prepared on the basis of relevant IFRS that are effective or available for early adoption at the Company's first IFRS annual reporting date, March 31, 2017.

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing the opening IFRS equity balance at April 1, 2015 for the purposes of the transition to IFRS, as required by IFRS 1.

Explanation of transition to IFRS reporting

As stated in Note 2(A), the Company's financial statements for the year ended March 31, 2017 are the first annual financial statements prepared by the Company to comply with IFRS. The adoption of IFRS was carried out in accordance with IFRS 1, using April 1, 2015 as the transition date. The transition was carried out from Indian GAAP, which was considered the Previous GAAP under IFRS. The effect of adopting IFRS has been summarized in the reconciliations provided below.

In preparing these financial statements, the Company has availed itself of certain exemptions and exceptions in accordance with IFRS 1.

A. Exemptions from retrospective application

The following are the exemptions which the Company has opted to apply/not to apply:

i. Fair value as deemed cost exemption: The Company has not elected to measure any item of property, plant and equipment at its fair value at the Transition Date; property, plant and equipment have been measured at cost in accordance with IFRS.

ii. Compound financial instruments: The Company did not have any compound financial instrument as of the Transition Date.

iii. Share-based payment transaction exemption: Under Previous GAAP, the Company had applied the intrinsic value recognition and measurement principles for all options granted before the Transition Date. Consequently, the Company has elected to apply the exemption as provided in IFRS 1 for all the options granted after November 7, 2002 and are not yet vested as on the Transition date.

2. Basis of preparation of financial statements (continued)

a. Statement of compliance (continued)

iv. Fair value measurement of financial assets or liabilities at initial recognition: The Company has not applied the amendment offered by the revision of IAS 39, "Financial Instruments: Recognition and Measurement", upon the initial recognition of the financial instruments measured at fair value through profit or loss where there is no active market.

v. Designation of financial assets and financial liabilities exemption: The Company did not have any financial assets or liabilities as of the Transition Date which were required to be designated, and which met the required criteria given in IFRS 1, as a financial asset or financial liability at fair value through profit or loss.

vi. Changes in decommissioning liabilities included in the cost of property, plant and equipment exemption: The Company does not have any material decommissioning, restoration or similar liabilities in the cost of property, plant and equipment. Consequently, this exception is not applicable to the Company.

vii. Leases exemption: The Company does not have any arrangements containing a lease as defined under IFRIC 4, "Determining whether an arrangement contains a lease". Consequently, this exemption is not applicable to the Company.

viii. Financial asset or an intangible asset accounted for in accordance with IFRIC 12, Service Concession Arrangements exemption: The Company does not have any arrangements which would be classified as a service concession arrangement under IFRIC 12 "Service Concession Arrangements". Consequently, this exemption is not applicable to the Company.

ix. Insurance contracts: The Company does not issue any insurance contracts. Consequently, this exemption is not applicable to the Company.

B. Exceptions from full retrospective application

i. Derecognition of financial assets and liabilities exception: Financial assets and liabilities derecognized before January 1, 2004 are not re-recognized under IFRS. No arrangements were identified that had to be assessed under this exception.

ii. Hedge accounting exception: The Company has not identified any hedging relationships existing as of the Transition Date. Consequently, this exception, of not reflecting in its opening IFRS statement of financial position a hedging relationship of a type that does not qualify for hedge accounting under IAS 39, is not applicable to the Company.

iii. Estimates exception: Upon an assessment of the estimates made under Previous GAAP, the Company has concluded that there was no necessity to revise such estimates under IFRS, except where estimates were required by IFRS and not required by Previous GAAP.

iv. Assets classified as held for sale and discontinued operations: The Company did not have any assets classified as held for sale, and therefore this exception is not applicable.

C. Reconciliations

The accounting policies as stated above have been applied in preparing the financial statements for the year ended March 31, 2017, the comparative information for the year ended March 31, 2016 and the opening IFRS equity at April 1, 2015. In preparing its opening IFRS equity and the comparative financial information for the year ended March 31, 2016, the Company has adjusted amounts reported previously in its financial statements prepared in accordance with Previous GAAP.

2. Basis of preparation of financial statements (continued)

a. Statement of compliance (continued)

An explanation of how the transition from Previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

i. Reconciliation of equity

ii. Reconciliation of profit for the period

These reconciliations have been given in Note 23.

These standalone financial statements were authorized for issuance by the Company's Board of Directors on **May 12 2017.**

b. Basis of measurement

These financial statements have been prepared on the historical cost convention and on an accrual basis.

c. Going Concern

The Company's financial statement for the year ended March 31, 2017 and March 31, 2016 have been prepared on a going concern basis which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

As of March 31, 2017 and 2016 the Company had working capital deficit and surplus of USD 35,686,691 and USD 76,805,962 respectively. The Company had incurred losses and profits of USD 6,508,061 and USD 17,644,050 for and had positive cash flow from operations of USD 15,108,595 and USD 6,933,186 for the year ended March 31 2017 and March 31, 2016 respectively. The resource requirements of the Company have been currently funded by its Parent Company Dr. Reddy's Laboratories Inc.

Based on these factors, inspite of the incurred losses and negative cash flows from operations in the Company, the financial statements are prepared with going concern assumption.

d. Functional and presentation currency

The Company's operations are self-contained and integrated within the respective countries/regions (i.e., United States of America), the functional currency has been determined to be the local currency of that country (i.e., U.S. Dollar).

e. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. Basis of preparation of financial statements (continued)

e. Use of estimates and judgments (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 2(c) — Going concern;
- Note 2(c) — Functional currency;
- Note 3(a) and 22 — Financial instruments;
- Note 3(b) — Useful life of property plant and equipment;
- Note 3(c) — Useful life of intangible assets;
- Note 3(e) — Valuation of inventories;
- Note 3(f) — Provisions;
- Note 3(i) —Income tax
- Note 3(j) —Share based payment transactions

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

a. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments consist of trade and other receivables, cash and cash equivalents, trade and other payables and certain other assets and liabilities.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs, except for those instruments that are designated as being fair value through profit and loss upon initial recognition. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is expected within one year or within the normal operating cycle of the business.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are classified as current assets if the collection is expected within one year or within the normal operating cycle of the business.

3. Significant accounting policies (continued)

a. Financial instruments (continued)

Others

Other non-derivative financial instruments are initially recognized at fair value. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method, less any impairment losses.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right and ability to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

b. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other (income/expense, net)" in income statement.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in income statement as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognized in income statement on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expenses is included in the costs of the functions using the asset. Land is not depreciated.

Leasehold improvements are depreciated over period of the lease agreement or the useful life, whichever is shorter.

3. Significant accounting policies (continued)

b. Property, plant and equipment (continued)

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	25 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Software for internal use, which is primarily acquired from third-party vendors and which is an integral part of a tangible asset, including consultancy charges for implementing the software, is capitalized as part of the related tangible asset. Subsequent costs associated with maintaining such software are recognised as expense as incurred. The capitalized costs are amortized over the estimated useful life of the software or the remaining useful life of the tangible fixed asset, whichever is lower.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

c. Goodwill and other Intangible assets

Goodwill

Goodwill represents the excess of consideration transferred, together with the amount of non-controlling interest in the acquiree, over the fair value of the Company's share of identifiable net assets acquired. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying value of the equity accounted investee.

Other intangible assets

Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Research and development

Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in the income statement when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if:

• development costs can be measured reliably;

• the product or process is technically and commercially feasible;

• future economic benefits are probable; and

• the Company intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in the income statement as incurred.

3. Significant accounting policies (continued)

c. Goodwill and other Intangible assets (continued)

Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalized. The Company's criteria for capitalization of such assets are consistent with the guidance given in paragraph 25 of International Accounting Standard 38 ("IAS 38") (i.e., receipt of economic benefits out of the separately purchased transaction is considered to be probable).

Acquired research and development intangible assets which are under development, are recognized as In-Process Research and Development assets ("IPR&D"). IPR&D assets are not amortized, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such IPR&D assets is recorded in the income statement under "Research and Development expenses".

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognized immediately in the income statement.

Amortization

Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use.

The estimated useful lives are as follows:

Trademarks	3 - 12 years
Product related intangibles	5 - 15 years
Customer-related intangibles	1 - 11 years
Other intangibles	3 - 15 years

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date.

De-recognition of intangible assets

Intangible assets are de-recognized either on their disposal or where no future economic benefits are expected from their use. Losses arising on such de-recognition are recorded in the income statement, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of de-recognition.

d. Leases

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

Finance leases

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.

3. Significant accounting policies (continued)

d. Leases (continued)

Operating leases

Other leases are operating leases, and the leased assets are not recognized on the Company's statements of financial position. Payments made under operating leases are recognized in income statement on a straight-line basis over the term of the lease.

Operating lease incentives received from the landlord are recognized as a reduction of rental expense on a straight line basis over the lease term.

e. Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory includes estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

f. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognized only when receipt of such reimbursements is virtually certain. Such reimbursements are recognized as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

g. *Revenue*

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 probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Profit share revenues

The Company from time to time enters into marketing arrangements with certain business partners for the sale of its products in certain markets. Under such arrangements, the Company sells its products to the business partners at a non-refundable base purchase price agreed upon in the arrangement and is also entitled to a profit share which is over and above the base purchase price. The profit share is typically dependent on the business partner's ultimate net sale proceeds or net profits, subject to any reductions or adjustments that are required by the terms of the arrangement. Such arrangements typically require the business partner to provide confirmation of units sold and net sales or net profit computations for the products covered under the arrangement.

Revenue in an amount equal to the base purchase price is recognized in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognized as revenue in the period which corresponds to the ultimate sales of the products made by business partners only when the collectability of the profit share becomes probable and a reliable measurement of the profit share is available otherwise, recognition is deferred to a subsequent period pending satisfaction of such collectability and measurability requirements. In measuring the amount of profit share revenue to be recognized for each period, the Company uses all available information and evidence, including any confirmations from the business partner of the profit share amount owed to the Company, to the extent made available before the date the Company's Board of Directors authorizes the issuance of its financial statements for the applicable period.

Milestone payments and out licensing arrangements

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. Non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognized over the period in which the Company has continuing performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognized as revenues either on achievement of such milestones, if the milestones are considered substantive, or over the period the Company has continuing performance obligations, if the milestones are not considered substantive. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

h. *Finance income and expense*

Finance income consists of interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognized, in the profit or loss statement, as it accrues using the effective interest method. Dividend income is recognized in the profit or loss statement on the date that the Company's right to receive payment is established. The associated cash flows are classified as investing activities in the statement of cash flows. Finance expenses consist of interest expense on loans and borrowings.

Borrowing costs are recognized in the profit or loss statement using the effective interest method. The associated cash flows are classified as financing activities in the statement of cash flows.

Foreign currency gains and losses are reported on a net basis within finance income and expense. These primarily include: exchange differences arising on settlement or translation of monetary items; changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied; and the ineffective portion of cash flow hedges.

3. Significant accounting policies (continued)

i. Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to
shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

j. Share-based payment transactions

The grant date fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share based payment transaction is presented as a separate component in equity under “share based payment reserve”. The amount recognized as an expense is adjusted to reflect the actual number of stock options that vest.

k. Recent accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company

IFRS 9, Financial instruments

In July 2014, the IASB issued the final version of IFRS 9, “Financial instruments”. IFRS 9 significantly differs from IAS 39, “Financial Instruments: Recognition and Measurement”, and includes a logical model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company believes that the new Standard will materially impact the classification and measurement of the Company’s financial instruments, documentation relating to hedging financial exposures and recognition of certain fair value changes.

3. Significant accounting policies (continued)

k. Recent accounting pronouncements (continued)

IFRS 15, Revenue from Contracts with Customers.

In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers”. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.
The new revenue recognition standard was issued with an effective date of January 1, 2017. However, in April 2015, the IASB voted to defer the effective date of the new revenue recognition standard to January 1, 2018. Early application of the new standard is permitted. The Company is in the process of evaluating the impact of the new standard on its financial statements.

IFRS 16, Leases

In January 2016, the IASB issued a new standard, IFRS 16, “Leases”. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, “Leases”, and related interpretations and is effective for periods beginning on or after January 1, 2019. Earlier adoption of IFRS 16 is permitted if IFRS 15, “Revenue from Contracts with Customers”, has also been applied.

The Company is currently in the process of evaluating the impact of this new accounting standard on its financial statements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC Interpretation 22, “Foreign Currency Transactions and Advance Consideration,” which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. IFRIC Interpretation 22 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently in the process of evaluating the impact of this change in the accounting standard on its financial statements.

IFRIC 23, Uncertainty over Income Tax treatments

On June 7, 2017, the IFRS Interpretations Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 “Income taxes”, are applied where there is uncertainty over income tax treatments.

IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

4. Determination of fair values

The Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

Property, plant and equipment acquired in a business combination or through an exchange of non-monetary assets is measured at fair value on the acquisition date. For this purpose, fair value is based on appraised market values and replacement cost.

(ii) Intangible assets

The fair value of trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of these brands, patents or trademarks being owned ("relief of royalty method"). The fair value of customer related, technology related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method after deduction of a fair return on other assets that are part of creating the related cash flows.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company's borrowings that have floating rates of interest, their fair value approximates carrying value.

(v) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes-Merton valuation mode. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

5. Property plant and equipment: The following is a summary of the change in carrying value of property, plant and equipment.

Particulars	Land	Buildings	Plant & Machinery	Furniture & fixtures	Office equip-ment	Vehicles	Total
Gross Carrying Value							
Balance as at April 1, 2015	839,844	12,754,496	28,457,553	1,165,967	576,573	4,384	**43,798,817**
Additions	-	-	1,750,918	13,664	12,359	-	**1,776,941**
Disposals	-	-	345,496	66,315	-	-	**411,811**
Balance as at March 31, 2016	**839,844**	**12,754,496**	**29,862,975**	**1,113,316**	**588,932**	**4,384**	**45,163,947**
Balance as at April 1, 2016	839,844	12,754,496	29,862,975	1,113,316	588,932	4,384	**45,163,947**
Additions	-	5,375,303	10,945,214	220,395	57,963	-	**16,598,875**
Disposals	-	391	2,485,762	34,035	-	-	**2,520,188**
Balance as at March 31, 2017	**839,844**	**18,129,408**	**38,322,427**	**1,299,676**	**646,895**	**4,384**	**59,242,634**
Accumulated Depreciation							
Balance as at April 1, 2015	-	2,665,495	8,768,849	649,957	393,371	2,855	**12,480,527**
Depreciation during the year	-	532,271	4,306,089	133,607	100,553	877	**5,073,397**
Disposals	-	-	265,285	52,092	-	-	**317,377**
Balance as at March 31, 2016	**-**	**3,197,766**	**12,809,653**	**731,472**	**493,924**	**3,732**	**17,236,547**
Balance as at April 1, 2016	-	3,197,766	12,809,653	731,472	493,924	3,732	**17,236,547**
Depreciation during the year	-	556,653	2,614,389	135,023	75,933	652	**3,382,650**
Disposals	-	391	2,431,017	34,035	-	-	**2,465,443**
Balance as at March 31, 2017	**-**	**3,754,028**	**12,993,025**	**832,460**	**569,857**	**4,384**	**18,153,754**
Net Carrying Value							
As at April 01, 2015	**839,844**	**10,089,001**	**19,688,704**	**516,010**	**183,202**	**1,529**	**31,318,290**
Add:-Capital Work in Progress							**1,314,420**
Total at April 01, 2015							**32,632,710**
As at March 31, 2016	**839,844**	**9,556,730**	**17,053,322**	**381,844**	**95,008**	**652**	**27,927,400**
Add:-Capital Work in Progress							**7,463,402**
Total at March 31, 2016							**35,390,802**
As at March 31, 2017	**839,844**	**14,375,380**	**25,329,402**	**467,216**	**77,038**	**-**	**41,088,880**
Add:-Capital Work in Progress							**6,225,182**
Total at March 31, 2017							**47,314,062**

Capital commitment: As of March 31, 2017 and 2016 the company had capital commitments of USD 1,133,558 and USD 1,760,299 under agreements for purchase property plant and equipment. The amount is net of capital advances paid in respect of such commitments.

6. Goodwill

Goodwill arising upon business acquisitions is not amortized but tested for impairment at least annually or more frequently if there is any indication that the cash generating unit to which goodwill is allocated is impaired.

The following table presents the changes in goodwill during the years ended March 31, 2017 and 2016:

	As of,	
	March 31, 2017	**March 31, 2016**
Opening balance, gross	2,479,209	2,479,209
Goodwill arising on business combinations during the year	-	-
Effect of translation adjustments	-	-
Impairment loss	-	-
Closing balance	**2,479,209**	**2,479,209**

The recoverable amounts of the above cash generating units have been assessed using a value-in-use model. Value in use is generally calculated as the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. Key assumptions on which the Company has based its determinations of value-in-use include:

a) Estimated cash flows for five years based on management's budgets and estimates.
b) Terminal value arrived by extrapolating last forecasted year cash flows to perpetuity, using a constant long-term growth rate of 0%. This long-term growth rate takes into consideration external macroeconomic sources of data. Such long-term growth rate considered does not exceed that of the relevant business and industry sector.
c) The post-tax discount rates used are based on the Company's weighted average cost of capital.
d) Value-in-use is calculated using after tax assumptions. The use of after tax assumptions does not result in a value-in-use that is materially different from the value-in-use that would result if the calculation was performed using before tax assumptions. The after tax discount rates used for impairment evaluation was 7.61% and the pre-tax discount rate was 10.45%

The Company believes that any reasonably possible change in the key assumptions on which a recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

7. Other intangible assets

The following is a summary of changes in carrying value of other intangible assets:

Particulars	Customer related intangibles	Product related intangibles	Other intangibles	Total
Gross carrying value				
Balance as at April 1, 2015	8,000,000	500,000	3,713,291	12,213,291
Additions	-	-	-	-
De–recognitions*	2,000,000	-	-	2,000,000
Balance as at March 31, 2016	**6,000,000**	**500,000**	**3,713,291**	**10,213,291**
Balance as at April 1, 2016	6,000,000	500,000	3,713,291	10,213,291
Additions	-	-	-	-
De–recognitions*	(6,000,000)	-	-	(6,000,000)
Balance as at March 31, 2017	**-**	**500,000**	**3,713,291**	**4,213,291**
Amortisation/Impairment Loss				
Balance as at April 1, 2015	7,537,291	500,000	2,978,027	11,015,318
Amortisation during the period	166,970	-	374,533	541,503
De–recognitions*	(2,000,000)	-	-	(2,000,000)
Impairment during the period	295,739	-	-	295,739
Balance as at March 31, 2016	**6,000,000**	**500,000**	**3,352,560**	**9,852,560**
Balance as at April 1, 2016	6,000,000	500,000	3,352,560	9,852,560
Amortisation during the period	-	-	333,334	333,334
De–recognitions*	(6,000,000)	-	-	(6,000,000)
Balance as at March 31, 2017	**-**	**500,000**	**3,685,894**	**4,185,894**
Net carrying amount				
As at April 01, 2015	**462,709**	**-**	**735,264**	**1,197,973**
As at March 31, 2016	**-**	**-**	**360,731**	**360,731**
As at March 31, 2017	**-**	**-**	**27,397**	**27,397**

*During the year ended March 31, 2017, the Company de-recognised certain intangible assets which were fully amortized and from which no future economic benefits were expected, either from use or from their disposal.

The weighted average remaining useful life of intangibles was approximately 0.08 years as at March 31, 2017.

Impairment loss recorded for the year ended March 31, 2016

The Company has recorded an impairment loss of USD 295,739 for the year ended March 31, 2016 with regard to write down of certain customer related intangibles on account of discontinuance of sales of the product and accordingly such impairment was recorded under “Selling, general and administrative expenses” in the Company’s income statement.

8. Inventories

Inventories consist of the following:

	As of	
	March 31, 2017	March 31, 2016
Raw materials	5,064,190	4,646,524
Packing materials, stores and spares	1,032,622	1,994,251
Work-in-progress	2,368,155	1,727,124
Finished goods	878,768	1,807,079
	9,343,735	**10,174,978**

Inventories includes USD 381,742 and USD 41,404 which are carried at fair value less cost to sell as at March 31, 2017 and 2016 respectively. During the years ended March 31, 2017 and 2016, the Company recorded inventory write-downs of USD 2,377,933 and USD 1,271,421 respectively. These adjustments are included as part of cost of revenues in the income statement.

Cost of revenues for the years ended March 31, 2017 and 2016 includes raw materials, consumables and changes in finished goods and work in progress recognized in the income statement USD 17,878,199 and USD 25,967,881 respectively. Cost of revenues for the years ended March 31, 2017 and 2016, includes other expenditures recognized in the income statement of USD 31,768,135 and USD 36,511,870 respectively.

9. Trade and other receivables

	As of	
	March 31, 2017	March 31, 2017
Trade and other receivables, net of chargebacks and rebates	-	91,596,334
Less: Allowance for doubtful trade receivables	-	-
Trade and other receivables, net	**-**	**91,596,334**

10. Other assets

Other assets consist of the following:

	As of	
	March 31, 2017	March 31, 2016
Current		
Due from related parties (Note 17)	1,064	720,039
Prepaid expenses	354,347	387,529
Others	196,969	338,982
	552,380	**1,446,550**

11. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of	
	March 31, 2017	March 31, 2016
Current		
Cash balances	669	545
Balances with banks	62,779	657,776
Cash and cash equivalents on the statements of financial position	**63,448**	**658,321**
Cash and cash equivalents in the statement of cash flow	**63,448**	**658,321**

12. Share Capital

	As of	
	March 31, 2017	March 31, 2016
Fully paid up capital	**40,000,000**	**40,000,000**
As at April 01	40,000,000	40,000,000
Add: Additional paid up share capital	-	-
As at March 31	**40,000,000**	**40,000,000**

13. Trade and other payables

Trade and other payables consist of the following:

	As of	
	March 31, 2017	March 31, 2016
Due to related parties (Note 17)	1,108,845	1,334,943
Others trade payables	860,903	1,341,809
Capital creditors	410,222	754,682
Creditors for expenses	188,031	266,411
	2,568,001	**3,697,845**

14. Other liabilities

Other liabilities consist of the following:

	As of	
	March 31, 2017	March 31, 2016
Current liabilities		
Accrued expenses	2,471,238	2,853,012
Others	285,370	429,677
Other liabilities – inter unit (Note 17)	1,000,000	-
	3,756,608	**3,282,689**

15. Other (income)/expense, net

Other expense/ (income), net consist of the following:

	For the year ended	
	March 31, 2017	March 31, 2016
Loss on sale of property, plant and equipment, net	51,394	94,434
Others	(145,201)	(5,373)
	(93,807)	**89,061**

16. Revenue

Revenue consists of the following:

	For the Period ended	
	March 31, 2017	March 31, 2016
Sales to third parties	17,251,693	60,925,787
Sales to related parties (Note 17)	19,073,254	20,028,764
Service income (Note 17)	6,258,123	11,202,717
	42,583,070	**92,157,268**

17. Related parties

The Company has entered into transactions with the following related parties:

(a) Dr. Reddy’s Laboratories Limited (“ Ultimate Parent company”)

(b) Dr. Reddy’s Laboratories Inc (“ Parent company”)

(c) Dr. Reddy's Laboratories Tennessee, LLC (“Company under common control”)

(d) Promius Pharma LLC (“Company under common control”)

The following is a summary of significant related party transactions:

Particulars	For the year ended	
	March 31, 2017	March 31, 2016
Purchases from:		
Dr. Reddy’s Laboratories Limited	2,661,876	16,389,552
Loan from:		
Dr. Reddy’s Laboratories Inc.	19,231,958	(5,627,933)
Sales to:		
Dr. Reddy’s Laboratories Inc.	19,073,254	20,028,764
Service income from:		
Profit share from Dr. Reddy’s Laboratories Inc.	6,258,123	11,202,717
Dividend paid		
Dr. Reddy’s Laboratories Inc.	90,000,000	-

The Company has the following amounts due from related parties (included in trade receivables and other current assets):

Particulars	As of	
	March 31, 2017	March 31, 2016
Dr. Reddy’s Laboratories Inc.	1,064	86,344,008
Dr. Reddy's Laboratories Tennessee, LLC	-	300,000
Promius Pharma LLC	-	400,000
Total amounts due from related parties	**1,064**	**87,044,008**

The Company has the following amounts due to related parties (Included in Current liabilities):

Particulars	As of	
	March 31, 2017	March 31, 2016
Dr. Reddy’s Laboratories Limited	1,108,845	1,334,943
Dr. Reddy's Laboratories Inc. (refer note a)	39,321,645	20,089,687
Promius Pharma LLC	1,000,000	-
Total amounts due to related parties	**41,430,490**	**21,424,630**

Note a:

Represents loans and borrowings received from group companies. Refer to Note 2(c) for details. These borrowings are repayable on demand and hence presented as current liability in the financial statements.

18. Income taxes

a. Income tax (expense)/benefit recognized in the income statement

Income tax (expense)/benefit recognized in the income statement consist of the following:

Particulars	**Years ended March 31**	
	2017	**2016**
Current taxes (expense)/ benefit	891,324	(15,874,320)
Deferred taxes (expense)/benefit	4,431,410	9,337,989
Total income tax (expense)/benefit in income statement	**5,322,734**	**(6,536,331)**

b. Income tax (expense)/benefit recognized directly in equity

There were no income tax expenses / benefits recognized directly in equity for the year ended March 31, 2017 and 2016.

c. Reconciliation of effective tax rate

Particulars	**For the year ended March 31,**	
	2017	**2016**
Profit/ (loss) before income taxes	(11,830,795)	24,180,381
Enacted tax rate in US	37.37%	37.50%
Computed expected tax benefit/(expense)	**4,420,931**	**(9,067,961)**
Effect on account of tax allocation from the consolidated tax benefit/ (expense) of Parent Company viz., Dr. Reddy's Laboratories Inc., based on parent-down approach	901,803	2,531,630
Income tax benefit/ (expense)	**5,322,734**	**(6,536,331)**

The significant reconciling item from the expected tax benefit/ (expense) to the actual tax benefit/ (expense), at the parent company's consolidation level, includes the following:

	Years ended March 31	
	2017	**2016**
Expenses not deductible for tax purposes	(484,188)	(364,784)
Research and development tax credit	506,696	1,115,234
Qualified domestic production activities deduction	-	575,239
Others	1,448,352	651,371
	1,470,860	**1,977,060**

(1) Expenses not deductible for tax expenses include expenses which are disallowed as deduction from taxable profit as per the tax laws prevailing.

(2) There are certain income-tax related legal proceedings that are pending against the Company. Potential liabilities, if any, have been adequately provided for, and the Company does not currently estimate any material incremental tax liability in respect of these matters.

d. Unrecognized deferred tax assets and liabilities

During the financial year ending March 31, 2017 and 2016, the Company does not have any unrecognized deferred tax assets.

18. Income taxes (continued)

e. Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

	2017	**2016**
Deferred tax assets/(liabilities):		
Property plant and equipment	30,824	2,058,257
Operating loss carry forward	5,983,542	-
Accounts receivable	124,196	4,947,562
R&D credit	230,309	-
Other current assets	136,338	(705,432)
Stock based compensation/ equity	107,072	(385,046)
Intangibles	10,096	411,782
Other current liabilities	(2,190,967)	3,010,866
Net deferred tax asset/(liabilities)	**4,431,410**	**9,337,989**

In assessing the realizability of the deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment.

Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences and tax loss carry forwards. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced. Periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences and tax loss carry forwards. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

f. Movement in temporary differences during the years ended March 31, 2017 and 2016:

The details of movement in deferred tax assets and liabilities are summarised below:

	As at March 31, 2016	**Movement**	**As at March 31, 2017**
Deferred tax assets/(liabilities)			
Property, plant and equipment and intangibles	(447,320)	40,920	(406,400)
Accounts receivable	4,947,561	124,196	5,071,757
Stock based compensation	(392,726)	107,072	(285,654)
Other current assets	(631,269)	136,338	(494,931)
R and D credit	-	230,309	230,309
Other current liabilities	3,059,022	(2,190,967)	868,055
Operating losses carried forward	-	5,983,542	5,983,542
Net deferred tax assets/(liabilities)	**6,535,268**	**4,431,410**	**10,966,678**

18. Income taxes (continued)

f. Movement in temporary differences during the years ended March 31, 2017 and 2016 (continued) :

	As at March 31, 2015	Movement	As at March 31, 2016
Deferred tax assets /(liabilities)			
Property, plant and equipment and intangibles	(2,917,360)	2,470,040	(447,320)
Accounts receivable	-	4,947,561	4,947,561
Stock based compensation	(7,680)	(385,046)	(392,726)
Other current assets	74,163	(705,432)	(631,269)
Other current liabilities	48,156	3,010,866	3,059,022
Net deferred tax assets/(liabilities)	**(2,802,721)**	**9,337,989**	**6,535,268**

19. Financial Instruments

Financial Instruments by category

The carrying value and fair value of the financial instruments by each category as at March 31, 2017 were as follows:

Particulars	Note	Loans and receivables	Trade and other payables	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents	11	63,448		63,448	63,448
Trade and other receivables	9	-		-	-
Other assets*	10	198,033		198,033	198,033
Total		**261,481**		**261,481**	**261,481**
Liabilities:					
Trade and other payables	13	-	2,568,001	2,568,001	2,568,001
Loans and borrowings	17	-	39,321,645	39,321,645	39,321,645
Other liabilities and provisions	14	-	3,756,608	3,756,608	3,756,608
Total		**-**	**45,646,254**	**45,646,254**	**45,646,254**

The carrying value and fair value of the financial instruments by each category as at March 31, 2016 were as follows:

Particulars	Note	Loans and receivables	Trade and other payables	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents	11	658,321	-	658,321	658,321
Trade and other receivables	9	91,596,334	-	91,596,334	91,596,334
Other assets*	10	1,059,021	-	1,059,021	1,059,021
Total		**93,313,676**	**-**	**93,313,676**	**93,313,676**
Liabilities:					
Trade and other payables	13	-	3,697,845	3,697,845	3,697,845
Loans and borrowings	17	-	20,089,687	20,089,687	20,089,687
Other liabilities and provisions	14	-	3,282,689	3,282,689	3,282,689
Total		**-**	**27,070,221**	**27,070,221**	**27,070,221**

***** Other assets that are not financial assets (such as prepaid expenses, advances paid and certain other receivables) of USD 354,347 and USD 387,529 as of March 31, 2017 and 2016, respectively, are not included.

19. Financial Instruments (continued)

Fair value hierarchy

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 — Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

20. Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors is responsible for overseeing Company's risk assessment and management policies and processes.

a. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country, in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

Financial assets that are neither past due nor impaired

None of the Company's cash equivalents, including time deposits with banks, were past due or impaired as at March 31, 2017.

Financial assets that are past due but not impaired

The Company's credit period for customers generally ranges from 20 – 180 days. The age analysis of the trade receivables has been considered from the date of the invoice. The aging of trade receivables that are past due, net of allowance for doubtful receivables, is given below:

Period (in days)	Year ended	
	March 31, 2017	**March 31, 2016**
00-90	-	1,343,563
90-180	-	-
More than 180	-	-
Total	**-**	**1,343,563**

See Note 9 for the activity in the allowance for impairment of trade account receivables. Other than trade receivables, the Company has no class of financial assets that is past due but not impaired.

20. Financial risk management (continued)

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by raising additional funds from parent company or from group companies to meet the financial obligations.

As of March 31, 2017 and 2016 the Company had working capital deficit and surplus of USD 35,686,691 and USD 76,805,962 respectively.

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2017:

Particulars	2018	2019	2020	2021	Thereafter	Total
Trade and other payables	2,568,001	-	-	-	-	2,568,001
Loans and borrowings	39,321,645					39,321,645
Other liabilities and provisions	3,756,608	-	-	-	-	3,756,608
Total	**45,646,254**	**-**	**-**	**-**	**-**	**45,646,254**

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2016:

Particulars	2017	2018	2019	2020	Thereafter	Total
Trade and other payables	3,697,845	-	-	-	-	3,697,845
Loans and borrowings	20,089,687					20,089,687
Other liabilities and provisions	3,282,689	-	-	-	-	3,282,689
Total	**27,070,221**	**-**	**-**	**-**	**-**	**27,070,221**

c. Market risk

Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates and other market changes that affect market risk-sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and short term/or long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Foreign exchange risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses. A significant portion of the Company's revenues are in reporting currency, USD. As a result, the Company is not exposed to significant foreign currency risk.

For the year ended March 31, 2017 and 2016, every 10% depreciation/appreciation in the exchange rate between the U.S. Dollar and the respective currencies for the above mentioned financial liabilities would affect the Company's net profit by approximately USD nil and USD nil respectively.

Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of active pharmaceutical ingredients, including the raw material components for such active pharmaceutical ingredients. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in the Company's active pharmaceutical ingredients business are generally more volatile. Cost of raw materials forms the largest portion of the Company's operating expenses. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. The Company has historically not entered into any derivative financial instruments or futures contracts to hedge exposure to fluctuations in commodity prices.

21. Nature of Expense

The following table shows the expenses by nature:

Particulars	For the year ended March 31, 2017			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	21,414,429	1,849,671	-	23,264,100
Depreciation and amortization	3,382,650	333,334	-	3,715,984
	24,797,079	**2,183,005**	**-**	**26,980,084**

Particulars	For the year ended March 31, 2017			
	Cost of revenues	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	22,779,628	2,077,099	-	24,856,727
Depreciation and amortization	5,073,397	541,503	-	5,614,900
	27,853,025	**2,618,602**	**-**	**30,471,627**

22. Employee benefits

The Company's employees participate in Dr. Reddy's Laboratories 401 (k) defined contribution retirement plan. The Company's contribution is discretionary and is determined by its Board of Directors on an annual basis. The contribution made by the Company for the year ended March 31, 2017 and 2016 was USD 1,031,036 and USD 1,009,640 respectively.

23. Effect of transition to IFRS on Company’s Equity and Profit

Reconciliation between financial results as previously reported under Previous GAAP and IFRS for year ended March 31, 2016

Particulars	Year ended March 31, 2016
Net profit under previous GAAP	23,850,948
Income tax expense recognised for the year ended March 31, 2016	(6,536,331)
Less: Share based payment expense	(48,747)
Reversal of goodwill amortised under Previous GAAP	378,180
Net profit under IFRS	**17,644,050**

Reconciliation of equity as on March 31, 2016 as previously reported under Previous GAAP to IFRS

Particulars	As on March 31, 2016
Equity reported under Previous GAAP as on March 31, 2016	129,219,690
Adjustments:	
Reversal of goodwill amortised under Previous GAAP	378,180
Recognition of current and deferred taxes	(9,339,050)
Recognition of goodwill on transition	1,313,151
Equity reported under IFRS as on March 31, 2016	**121,571,971**

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Independent Auditors' Report

The Board of Directors
Dr. Reddy's Laboratories Limited

We have audited the accompanying statements of financial position of Dr. Reddy's Laboratories New York Inc., as of March 31, 2017 and 2016 and the related income statements, statements of comprehensive income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dr. Reddy's Laboratories New York Inc., as of March 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG

Hyderabad, India

May 12, 2017

DR. REDDY’S LABORATORIES NEW YORK INC

Financial Statements

March 31, 2017 and 2016

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DR. REDDY'S LABORATORIES NEW YORK INC.
STATEMENT OF FINANCIAL POSITION
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

		As of	
PARTICULARS	**Note**	**March 31, 2017**	**March 31, 2016**
Assets			
Current assets			
Cash and cash equivalents	8	448,251	1,049,401
Other current assets	5	844,871	869,402
Current tax assets		65,146	52,162
Total current assets		**1,358,268**	**1,970,965**
Non-current assets			
Property, plant and equipment	6	15,195,565	16,815,059
Intangible assets	7	1,062,500	1,312,500
Other non-current assets	5	908,955	1,208,955
Total non-current assets		**17,167,020**	**19,336,514**
Total assets		**18,525,288**	**21,307,479**
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	10	397,706	567,405
Loans and borrowings	15	25,255,830	17,910,831
Other current liabilities	11	1,625,163	2,773,323
Total current liabilities		**27,278,699**	**21,251,559**
Total liabilities		**27,278,699**	**21,251,559**
Equity			
Share capital	9	5,000	5,000
Additional paid up capital	9	49,995,000	49,995,000
Retained earnings		(58,838,431)	(49,995,078)
Share based payment reserve		85,020	50,998
Total Shareholder's equity		**(8,753,411)**	**55,920**
Total liabilities and equity		**18,525,288**	**21,307,479**

The accompanying notes form an integral part of these financial statements.

DR. REDDY'S LABORATORIES NEW YORK INC.
INCOME STATEMENT
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

		For the year ended	
PARTICULARS	**Note**	**March 31, 2017**	**March 31, 2016**
Revenue		-	-
Cost of revenue		-	-
Gross profit		**-**	**-**
Selling, general and administrative expenses	12	6,752,615	12,809,718
Research and development expenses		2,142,368	748,094
Other income	13	(18,125)	(1,519,872)
Total operating expenses		**8,876,858**	**12,037,940**
Results from operating activities		**(8,876,858)**	**(12,037,940)**
Finance income		88,151	1,788
Finance expense		-	(759)
Finance income / (expense)	**14**	**88,151**	**1,029**
Loss before tax		**(8,788,707)**	**(12,036,911)**
Income tax expense		(54,646)	(18,000)
Loss for the year		**(8,843,353)**	**(12,054,911)**

The accompanying notes form an integral part of these financial statements.

DR. REDDY'S LABORATORIES NEW YORK INC.
STATEMENT OF COMPREHENSIVE INCOME
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	For the year ended March 31, 2017	For the year ended March 31, 2016
Loss for the year	**(8,843,353)**	**(12,054,911)**
Other comprehensive loss		
Items that will not be reclassified to profit or loss:	-	-
Total items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Total items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive loss for the year	**(8,843,353)**	**(12,054,911)**
Total comprehensive loss for the year	**(8,843,353)**	**(12,054,911)**

The accompanying notes form an integral part of these financial statements.

DR. REDDY'S LABORATORIES NEW YORK INC.
STATEMENT OF CHANGES IN EQUITY
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	Number of Shares	Share Capital	Share premium	Share based payment reserve	Retained earnings	Total Stockholders' Equity
Balance as of April 01, 2015 (A)	**50,000**	**5,000**	**49,995,000**	**24,831**	**(37,940,167)**	**12,084,664**
Total Comprehensive loss						
Loss for the period	-	-	-	-	(12,054,911)	(12,054,911)
Total Comprehensive loss (B)	**-**	**-**	**-**	**-**	**(12,054,911)**	**(12,054,911)**
Transactions with owners of the company						
Contributions and distributions						
Share based payment expense	-	-	-	26,167	-	26,167
Total contributions and distributions	-	-	-	26,167	-	26,167
Total transactions with owners of the Company (C)	**-**	**-**	**-**	**26,167**	**-**	**26,167**
Balance as of March 31,2016 [(A)+(B)+(C)]	**50,000**	**5,000**	**49,995,000**	**50,998**	**(49,995,078)**	**55,920**
Balance as of April 01 2016 (A)	**50,000**	**5,000**	**49,995,000**	**50,998**	**(49,995,078)**	**55,920**
Total Comprehensive Loss						
Loss for the period	-	-	-	-	(8,843,353)	(8,843,353)
Total Comprehensive loss (B)	**-**	**-**	**-**	**-**	**(8,843,353)**	**(8,843,353)**
Transactions with owners of the company						
Contributions and distributions						
Share based payment expense	-	-	-	34,022	-	34,022
Total contributions and distributions	-	-	-	34,022	-	34,022
Total transactions with owners of the Company (C)	**-**	**-**	**-**	**34,022**	**-**	**34,022**
Balance as of March 31,2017 [(A)+(B)+(C)]	**50,000**	**5,000**	**49,995,000**	**85,020**	**(58,838,431)**	**(8,753,411)**

DR. REDDY'S LABORATORIES NEW YORK INC.
STATEMENT OF CASH FLOWS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	For the year ended	
	March 31, 2017	**March 31, 2016**
Cash flows used in operating activities:		
Loss for the year	(8,843,353)	(12,054,911)
Adjustments for:		
Depreciation and amortization	2,333,365	2,272,577
Profit on sale of property, plant and equipment	-	(3,909)
Share based payment expense	34,022	26,167
Income tax expense	54,646	18,000
Interest income, net	(87,134)	(1,029)
Changes in operating assets and liabilities:		
Trade payables	(174,699)	521,037
Other assets and liabilities	(878,274)	(326,765)
Cash used in operations	**(7,561,427)**	**(9,548,833)**
Taxes paid	(12,984)	(36,000)
Net cash used in operating activities	**(7,574,411)**	**(9,584,833)**
Cash flows used in investing activities:		
Expenditure on property, plant and equipment	(458,872)	(215,655)
Proceeds from sale of property, plant and equipment	-	39,000
Interest received	87,134	1,788
Net cash used in investing activities	**(371,738)**	**(174,867)**
Cash flows from financing activities:		
Proceeds from borrowings,net	7,344,999	10,178,064
Interest paid	-	(759)
Net cash from financing activities	**7,344,999**	**10,177,305**
Net (decrease) / increase in cash and cash equivalents during the year	(601,150)	417,605
Cash and cash equivalents at the beginning of the year	1,049,401	631,796
Cash and cash equivalents at the end of the year (including restricted cash)	**448,251**	**1,049,401**

1. Reporting entity

Dr. Reddy's Laboratories New York Inc. was incorporated on May 24, 2011 in the state of Delaware. The Company has obtained a license from APR LLC which provides the process of manufacturing API pertaining to Conjugated Estrogen product. Besides the process acquired, as part of Research and development, the Company is in the process of developing an alternative manufacturing method of API.

The Company currently is in the process of development of finished dosage pertaining to conjugated estrogen, which has active market across geographies. Revenue generation shall commence after successful development, manufacturing and commercialization of the finished dosage.

2. Basis of preparation of financial statements

a. Statement of compliance

These standalone financial statements for the year ended December 31, 2016 have been prepared in accordance with the International Financial Reporting Standards and its interpretations ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These standalone financial statements have been prepared for the Company as a going concern on the basis of relevant IFRS that are effective or available for early adoption at the Company's annual reporting date, March 31, 2017. These standalone financial statements were authorized for issuance by the Company's Board of Directors on May 12, 2017.

b. Basis of measurement

These standalone financial statements have been prepared on the historical cost convention and on an accrual basis.

c. Going Concern

The Company's financial statement for the year ended March 31, 2017 and March 31, 2016 have been prepared on a going concern basis which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

As at March 31, 2017 and March 31, 2016, the Company had a working capital deficit of USD 25,920,431 and USD 19,280,594 respectively. The Company had incurred losses of USD 8,843,353 and USD 12,054,911 for and had negative cash flow from operations of USD 7,518,368 and USD 9,583,804 for the year ended March 31 2017 and March 31, 2016 respectively. The Company is currently in the process of research and development of API pertaining to Conjugated Estrogen product and would be able to derive positive cash flows and working capital from the business upon successful development and commercialization of the said product.

The resource requirements of the Company have been currently funded by its Parent Company (Dr. Reddy's Laboratories S.A.) and fellow subsidiary (Dr. Reddy's Laboratories Inc.). The directors of Parent Company closely monitors the progress of research and development pertaining to API of Conjugated Estrogen product. Considering the positive progress of the product development process, the Parent Company continues to financially support the Company till the product is successfully developed and commercialized in the market. Based on these factors, inspite of the incurred losses and negative cash flows from operations in the Company, the financial statements are prepared with going concern assumption.

Basis of preparation of financial statements (continued*)*

d. Functional and presentation currency

The Company's operations are self-contained and integrated within the respective countries/regions (i.e., United States of America), the functional currency has been determined to be the local currency of that country (i.e., U.S. Dollar).

e. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 2(d)-Assessment of functional currency
- Note 2(c)-Going Concern
- Note 3(b) and 16- Financial instruments
- Note 3(d) and (e) –Useful life of Property, Plant and Equipment and Intangibles
- Note 3(j)-Provisions
- Note 3(h)-Impairment of assets

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these standalone financial statements:

a. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for receipts and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising upon retranslation are recognized in statement of profit or loss.

3. Significant accounting policies (continued)

b. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments consist of trade receivables, cash and cash equivalents, trade payables and certain other assets and liabilities.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs, except for those instruments that are designated as being fair value through profit and loss upon initial recognition. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand 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. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Held-to-maturity investments

If the Company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held to maturity financial assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method. As at March 31, 2016 and March 31, 2015 the Company did not have any held-to-maturity investments.

Available-for-sale financial assets

As at March 31, 2016 and March 31, 2015 the Company did not have any available-for-sale investments.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. As at March 31, 2016 the Company did not have any financial assets at fair value through profit or loss.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is expected within one year or within the normal operating cycle of the business.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are classified as current assets if the collection is expected within one year or within the normal operating cycle of the business.

3. Significant accounting policies (continued)

***b. Financial instruments* (continued)**

Others

Other non-derivative financial instruments are initially recognized at fair value. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method, less any impairment losses. As at March 31, 2016 and March 31, 2015 the Company did not have any non-derivative financial instruments.

c. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognized as a deduction from equity, net of any tax effects.

d. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to the cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within “other income/expense, net” in statement of profit or loss.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in statement of profit or loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognized in statement of profit or loss on straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

3. Significant accounting policies (continued)

d. Property, plant and equipment (continued)

The estimated useful lives are as follows:

Buildings	
-Factory and administrative buildings	10 - 50 years
-Ancillary structures	3 - 15 years
Plant and equipment	1 - 15 years
Furniture, fixtures and office equipment	1 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

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

Software for internal use, which is primarily acquired from third-party vendors, including consultancy charges for implementing the software, is capitalized as part of related tangible asset. Subsequent costs associated with maintaining such software are charged to the statement of profit or loss as incurred. The capitalized costs are amortized over the estimated useful life of the software or the remaining useful life of the tangible fixed assets whichever is lower.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

e. Intangible assets

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Amortization

Amortization is recognized in statement of profit or loss on a straight line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use.

The estimated useful lives are as follows:

Product related intangibles	5- 15 years

Research and development

Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in the statement of profit or loss as incurred.

e. Intangible assets (continued)

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if:

• development costs can be measured reliably;

• the product or process is technically and commercially feasible;

• future economic benefits are probable; and

• the Company intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in the statement of profit or loss as incurred.

Other development expenditures are recognized in the statement of profit or loss as incurred.

Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalized. The Company's criteria for capitalization of such assets are consistent with the guidance given in paragraph 25 of International Accounting Standard 38 ("IAS 38") (i.e., receipt of economic benefits out of the separately purchased transaction is considered to be probable).

Acquired research and development intangible assets which are under development, are recognized as In-Process Research and Development assets ("IPR&D"). IPR&D assets are not amortized, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such IPR&D assets is recorded in the statement of profit or loss under "Research and Development expenses".

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognized immediately in the statement of profit or loss.

f. Leases

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

Operating leases

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

Operating lease incentives received from the landlord are recognized as a reduction of rental expense on a straight line basis over the lease term.

g. Inventories

The Company is in the process of development of finished dosage pertaining to conjugated estrogen. There are no inventories carried in the books as these were consumed in the preparation of validation batches. The same was recognized as research and development expenses.

h. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. All impairment losses/ (reversal of impairment losses) are recognized in statement of profit or loss.
When the fair value of available-for-sale financial assets declines below acquisition cost and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in other comprehensive income is transferred to the statement of income. An impairment loss may be reversed in subsequent periods, if the indicators for the impairment no longer exist. Such reversals are recognized in other comprehensive income.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. All impairment losses/ (reversal of impairment losses) are recognized in statement of profit or loss.
When the fair value of available-for-sale financial assets declines below acquisition cost and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in other comprehensive income is transferred to the statement of income. An impairment loss may be reversed in subsequent periods, if the indicators for the impairment no longer exist. Such reversals are recognized in other comprehensive income.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at March 31.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

3. Significant accounting policies (continued)

i. Employee benefits

Short-term benefits

Contribution payable to the 401 K plan in United States of America, which are defined contribution schemes are made on a monthly basis at a predetermined rates to the appropriate authorities and are charged to the statement of income.

j. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

k. Finance income and expense

Finance income consists of interest income. Interest income is recognized as it accrues in statement of profit or loss, using the effective interest method. Finance expenses consist of interest expense on loans and borrowings and impairment losses recognized on financial assets. Foreign currency gains and losses are reported on a net basis within finance income and expense.

l. Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Significant accounting policies (continued)

l. Income tax (continued)

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

m. Recent accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company

IFRS 9, Financial instruments

In July 2014, the IASB issued the final version of IFRS 9, "Financial instruments". IFRS 9 significantly differs from IAS 39, "Financial Instruments: Recognition and Measurement", and includes a logical model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company believes that the new Standard will materially impact the classification and measurement of the Company's financial instruments, documentation relating to hedging financial exposures and recognition of certain fair value changes.

IFRS 15, Revenue from Contracts with Customers.

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.
The new revenue recognition standard was issued with an effective date of January 1, 2017. However, in April 2015, the IASB voted to defer the effective date of the new revenue recognition standard to January 1, 2018. Early application of the new standard is permitted. The Company is in the process of evaluating the impact of the new standard on its financial statements.

IFRS 16, Leases

In January 2016, the IASB issued a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, "Leases", and related interpretations and is effective for periods beginning on or after January 1, 2019. Earlier adoption of IFRS 16 is permitted if IFRS 15, "Revenue from Contracts with Customers", has also been applied.

The Company is currently in the process of evaluating the impact of this new accounting standard on its financial statements.

3. Significant accounting policies (continued)

m. Recent accounting pronouncements (continued)

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC Interpretation 22, "Foreign Currency Transactions and Advance Consideration," which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. IFRIC Interpretation 22 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently in the process of evaluating the impact of this change in the accounting standard on its financial statements.

IFRIC 23, Uncertainty over Income Tax treatments

On June 7, 2017, the IFRS Interpretations Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 "Income taxes", are applied where there is uncertainty over income tax treatments.

IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

4. Determination of fair values

The Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination, and those acquired through exchange of non-monetary assets, are based on appraised market values and replacement cost determined by an external valuer.

(ii) Intangible assets

The fair value of customer related, technology related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method after deduction of a fair return on other assets that are part of creating the related cash flows.

(iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company's borrowings that have floating rates of interest, their fair value approximates carrying value.

5. Other assets

Other assets consist of the following:

	As of March 31, 2017	As of March 31, 2016
Current		
Due from related parties (Note 15)	33,735	104,513
Prepaid expenses	45,559	80,955
Other receivables [(1)]	765,577	683,934
	844,871	**869,402**
Non-current		
Deposits and other assets – non current [(1)]	908,955	1,208,955
	908,955	**1,208,955**
Total	**1,753,826**	**2,078,357**

(1) Other receivables includes current portion of amount receivable from Nostrum Pharmaceuticals LLC and Nostrum Laboratories Inc. (referred as "Nostrum Pharma") on account of settlement of litigation in Company's favor pertaining to violation of Non-compete and confidentiality restrictive covenant mentioned in the Consulting and Transition Services Agreement dated July 8, 2011. Nostrum Pharma shall pay the sum of USD 1,500,000 over five years, bearing interest of 5% per annum, making quarterly payments, beginning from June 30, 2016.

6. Property plant and equipment

The following is a summary of the change in gross block carrying value of property, plant and equipment.

Particulars	Land	Lease Hold Improvements	Buildings	Plant & Machinery	Furniture & Fixtures	Computers	Total
Gross Carrying Value							
Balance as at April 1, 2015	**-**	**6,615,178**	**1,462,975**	**14,264,676**	**12,610**	**18,425**	**22,373,864**
Additions	-	529,374	54,955	735,990	-	-	1,320,319
Disposals	-	-	-	55,053	-	-	55,053
Balance as at March 31, 2016	**-**	**7,144,552**	**1,517,930**	**14,945,613**	**12,610**	**18,425**	**23,639,130**
Balance as at April 1, 2016	**-**	**7,144,552**	**1,517,930**	**14,945,613**	**12,610**	**18,425**	**23,639,130**
Additions	400,000	-	-	-	-	-	400,000
Disposals	-	-	-	673,290	-	-	673,290
Balance as at March 31, 2017	**400,000**	**7,144,552**	**1,517,930**	**14,272,323**	**12,610**	**18,425**	**23,365,840**
Accumulated Depreciation							
Balance as at April 1, 2015	**-**	**59,406**	**757,445**	**4,075,629**	**10,096**	**14,104**	**4,916,680**
Depreciation during the year	-	398,650	109,647	1,510,263	1,365	2,652	2,022,577
Disposals	-	-	-	19,962	-	-	19,962
Balance as at March 31, 2016	**-**	**458,056**	**867,092**	**5,565,930**	**11,461**	**16,756**	**6,919,295**
Balance as at April 1, 2016	**-**	**458,056**	**867,092**	**5,565,932**	**11,461**	**16,756**	**6,919,297**
Depreciation during the year	-	385,161	112,044	1,583,471	920	1,669	2,083,265
Disposals	-	-	-	673,290	-	-	673,290
Balance as at March 31, 2017	**-**	**843,217**	**979,136**	**6,476,113**	**12,381**	**18,425**	**8,329,272**
Net Carrying Value							
As at April 01, 2015	-	6,555,772	705,530	10,189,047	2,514	4,321	17,457,184
Add:-Capital Work in Progress							1,332,320
Total at April 01, 2015							18,789,504
As at March 31, 2016	-	6,686,496	650,838	9,379,683	1,149	1,669	16,719,835
Add:-Capital Work in Progress							95,224
Total at March 31, 2016							16,815,059
As at March 31, 2017	400,000	6,301,335	538,794	7,796,210	229	-	15,036,568
Add:-Capital Work in Progress							158,997
Total as at March 31, 2017							**15,195,565**

Capital commitments:- As of March 31, 2017 and 2016 the company was committed to spend USD 151,420 and USD 138,154 under agreements to purchase property, plant and equipment. The amount is net of Capital advances paid in respect of such purchase commitment.

7. Intangible assets

The following is a summary of changes in carrying value of Intangible assets:

Particulars	Product related intangibles	Total
Gross carrying value		
Balance as at April 1, 2015	2,500,000	2,500,000
Additions	-	-
Deletions	-	-
Balance as at March 31, 2016	**2,500,000**	**-**
Balance as at April 1, 2016	2,500,000	2,500,000
Additions	-	-
Deletions	-	-
Balance as at March 31, 2017	**-**	**-**
	2,500,000	**2,500,000**
Amortisation/Impairment Loss		
Balance as at April 1, 2015	937,500	937,500
Amortisation for the period	250,000	250,000
Deletions	-	-
Balance as at March 31, 2016	**1,187,500**	**1,187,500**
Balance as at April 1, 2016	1,187,500	1,187,500
Amortisation for the period	250,000	250,000
Deletions	-	-
Balance as at March 31, 2017	**1,437,500**	**1,437,500**
Net carrying amount		
As at March 31, 2015	**1,562,500**	**1,562,500**
As at March 31, 2016	**1,312,500**	**1,312,500**
As at March 31, 2017	**1,062,500**	**1,062,500**

The weighted average remaining useful life of intangibles was approximately 4.25 years as at March 31, 2017.

8. Cash and cash equivalents

Cash and cash equivalents consist of the following:

Particulars	**As of March 31, 2017**	**As of March 31, 2016**
Cash balance	2,623	3,337
Balances with bank	445,628	1,046,064
Cash and cash equivalents	**448,251**	**1,049,401**

Balances with bank include restricted cash of USD 406,218 and USD 903,385 for the years ended March 31, 2017 and 2016, respectively, representing amounts lying in escrow account pursuant to the asset purchase agreement entered with APR LLC.

9. Equity

	As of March 31, 2017	As of March 31, 2016
Par value per share	**0.10**	**0.10**
Authorized share capital (75,000 shares)	**7,500**	**7,500**
Fully paid up capital		
As at April 01	5,000	5,000
Add: Issued during the year	-	-
Closing balance as at March 31	5,000	5,000
Total issued capital	**5,000**	**5,000**

Additional paid in capital		
As at April 1	49,995,000	49,995,000
Add: Issued during the year	-	-
As at March 31	**49,995,000**	**49,995,000**

The Company presently has only one class of equity shares. For all matters submitted to vote in a shareholders meeting of the Company, every holder of an equity share, as reflected in the records of the Company on the date of the shareholders meeting shall have one vote in respect of each share held.

10. Trade and other payables

Trade and other payables consist of the following:

	As of	
	March 31, 2017	**March 31, 2016**
Trade payables	133,610	567,405
Capital creditors	21,660	-
Creditors for expenses	242,436	-
	397,706	**567,405**

11. Other liabilities

Other liabilities consist of the following:

Other current liabilities	As of March 31, 2017	As of March 31, 2016
Accrued expenses	1,513,304	2,026,848
Others	111,859	746,475
Total	**1,625,163**	**2,773,323**

12. Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following:

	For the year ended March 31, 2017	For the year ended March 31, 2016
Employee cost	3,311,467	3,397,355
Legal and professional expenses	1,107,883	4,485,185
Repairs and maintenance	-	1,486,285
Depreciation and amortization	2,333,265	2,272,577
Others	-	1,168,316
Total	**6,752,615**	**12,809,718**

13. Other expense / (income), net

Other expense / (income), net consist of the following:

	For the year ended March 31, 2017	For the year ended March 31, 2016
Other (income)/expense		
Loss/(Profit) on sale of property, plant and equipment, net	-	(2,213)
Other income	-	(1,500,000)
Sales-Scrap	-	(1,696)
Miscellaneous Income-inter unit* (Note 15)	(18,126)	(15,963)
Total	**(18,126)**	**(1,519,872)**

* The Miscellaneous income consists of income from corporate services provided to fellow group companies.

14. Finance income / (expense), net

Finance income/(expense)	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest income	87,134	1,788
Interest expenses	-	(759)
Foreign exchange gain	1,017	-
Total	**88,151**	**1,029**

15. Related parties

The Company has entered into transactions with the following related parties:

Dr. Reddy’s Laboratories Inc. (“Company under common control”)

Dr. Reddy’s Laboratories Limited (“Ultimate Parent Company”)

The following is the summary of significant related party transactions:

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Other Income :-		
Dr. Reddy’s Laboratories Inc.	18,125	15,963
Loan from Dr. Reddy’s Laboratories Inc.	7,344,999	10,178,064

15. Related parties (continued)

The Company has the following amounts due from related parties:

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Dr. Reddy’s Laboratories Inc.	11,010	104,513
Dr. Reddy’s Laboratories Limited	22,725	-
Total	**33,735**	**104,513**

The Company has the following amounts due to related parties (included in Current liabilities):

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Loan payable to Dr. Reddy’s Laboratories Inc.(refer note a)	25,255,830	17,910,831
Total	**25,255,830**	**17,910,831**

Note

a. Represents loans and borrowings received from group companies for the development of the product. Refer to Note 2(c) for details. These borrowings are repayable on demand and hence presented as current liability in the financial statements

16. Financial Instruments

Financial Instruments by category

The carrying value and fair value of the financial instruments by each category as at March 31, 2017 were as follows:

Particulars	Note	Loans and receivables	Trade and other payables	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents	8	448,251	-	448,251	448,251
Other assets*	5	1,708,267	-	1,708,267	1,708,267
Total		**2,156,518**	-	**2,156,518**	**2,156,518**
Liabilities:					
Trade payables	10		397,706	397,706	397,706
Loans and borrowings	15		25,255,830	25,255,830	25,255,830
Other liabilities and provisions	11		1,625,163	1,625,163	1,625,163
Total			**27,278,699**	**27,278,699**	**27,278,699**

16. Financial Instruments (continued)

The carrying value and fair value of the financial instruments by each category as at March 31, 2016 were as follows:

Particulars	Note	Loans and receivables	Trade and other payables	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents	8	1,049,401	-	1,049,401	1,049,401
Other assets*	5	1,997,402	-	1,997,402	1,997,402
Total		**3,046,803**	**-**	**3,046,803**	**3,046,803**
Liabilities:					
Trade payables	10		567,405	567,405	567,405
Loans and borrowings	15		17,910,831	17,910,831	17,910,831
Other liabilities and provisions	11		2,773,323	2,773,323	2,773,323
Total			**21,251,559**	**21,251,559**	**21,251,559**

***** Other assets that are not financial assets (such as receivables from prepaid expenses, advances paid and certain other receivables) of USD 45,559 and USD 80,955 as of March 31, 2017 and 2016, respectively, are not included.

Fair value hierarchy

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 — Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

17. Financial risk management

a. Credit risk

Credit risk is the risk of an unexpected loss if counterparty to a financial instrument fails to meet its contractual obligations. There are no financial instruments advance to suppliers which potentially subject the Company to credit risk. The Company establishes an allowance for doubtful advances that represent its estimate of incurred losses in respect of such advances.

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by raising additional funds from parent company or from group companies to meet the financial obligations till the successful development and commercialization of Conjugated Estrogen product.

As of March 31, 2017 and 2016 the Company had negative working capital of USD 25,920,431 and USD 19,280,594 respectively.

17. Financial risk management (continued)

b. Liquidity risk (continued)

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2017:

Particulars	2018	2019	2020	2021	Thereafter	Total
Trade payables	397,706	-	-	-	-	397,706
Other current liabilities and provisions	1,625,163	-	-	-	-	1,625,163
Loans and borrowings	25,255,830	-	-	-	-	25,255,830

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2016:

Particulars	2017	2018	2019	2020	Thereafter	Total
Trade payables	567,405	-	-	-	-	567,405
Other current liabilities and provisions	2,773,323	-	-	-	-	2,773,323
Loans and borrowings	17,910,831	-	-	-	-	17,910,831

c. Foreign exchange risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses. A significant portion of the Company's revenues are in reporting currency, USD. As a result, the Company is not exposed to significant foreign currency risk. Further the Company has no foreign currency transactions during the year.

18. Nature of expense

The following table shows the expenses by nature:

Particulars	**For the year ended March 31, 2017**			
	Cost of revenue	**Selling, general and administrative expenses**	**Research and Development**	**Total**
Employee benefits	-	3,345,489	-	3,345,489
Depreciation and amortization	-	2,333,265	-	2,333,265
	-	**5,678,754**	**-**	**5,678,754**

Particulars	**For the year ended March 31, 2016**			
	Cost of revenues	**Selling, general and administrative expenses**	**Research and Development**	**Total**
Employee benefits	-	3,423,522	-	3,423,522
Depreciation and amortization	-	2,272,577	-	2,272,577
	-	**5,696,099**	**-**	**5,696,099**

19. Contribution to 401(K)

The Company employees participate in Dr. Reddy’s Laboratories New York Inc., 401 (k) defined contribution retirement plan. The Company's contribution is discretionary and is determined by its Board of Directors on an annual basis. The contribution made by the Company for the year ended March 31, 2017 and March 31, 2016 was USD 171,714 and USD 155,582 respectively.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Dr. Reddy's Laboratories Romania SRL

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of **Dr. Reddy's Laboratories Romania SRL** ("the Company"), which comprise the balance sheet as at December 31, 2016 and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The aforementioned financial statements refer to:

   - Net assets/Total equity and reserves: RON 11.571.089
   - Net result of the year: RON 2.198.772, profit

2. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance for the year then ended in accordance with the Order of the Minister of Public Finance no. 1802/2014, with subsequent amendments ("OMFP 1802/2014").

Basis for Opinion

3. We conducted our audit in accordance with the audit standards as adopted by the Romanian Chamber of Financial Auditors, which are based on International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

4. This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Other Information – Administrator's Report

5. Other information comprises Administrator's Report. The administrators are responsible for preparation and presentation of Administrator's Report in accordance with the OMFP 1802/2014, articles 489-492 of accounting regulations regarding the preparation of individual and consolidated financial statements, and for that internal control considered appropriate by administrators to allow preparation and presentation of Administrator's Report without material misstatements, due to fraud or error.

   The Administrators' Report is not a part of the financial statements.

Our opinion on the financial statements does not cover the Administrator's Report.

6. In connection with our audit of the financial statements, our responsibility is to read the Administrators' Report and, in doing so, consider whether the Administrator's Report is materially inconsistent with the financial statements, whether Administrator's Report includes, in all material respects, information as stated by the OMFP 1802/2014, articles 489-492 of the accounting regulations regarding the preparation of individual and consolidated financial statements, and whether based on our knowledge and understandings obtained in the audit or otherwise regarding the entity and its environment, information in the Administrator's Report appears to be materially misstated. We are required to report about these matters. Based on our activity, we report as follow:

   a) In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with information presented in the accompanying financial statements;
   b) The Administrators' Report identified above, includes in all material respects, the information required by the OMFP 1802/2014, articles 489-492 (accounting regulation regarding individual financial statements and consolidated financial statements);

7. In addition, based on our knowledge and understanding of the company gained during the audit of financial statements ended at December 31, 2016 we have not identified any information included into Administrators' Report that is material misstated.

Responsibilities of Management and Those charged with Governance for the Financial Statements

8. Management is responsible for the preparation of the financial statements in accordance with OMFP 1802/2014, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company's or to cease operations, or has no realistic alternative but to do so.

10. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

12. As part of an audit in accordance with the audit standards adopted by the Romanian Chamber of Financial Auditors, which are based on International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

   a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Refer to the original signed
Romanian version

On behalf of

BDO AUDIT SRL
Registered with the Chamber of Financial Auditors of Romania
under no. 18/2001

Name of signing person: Cristian Iliescu
Registered with the Chamber of Financial Auditors of Romania
under no. 1530 / 2003

Bucharest, Romania
31 March 2017

Translation from Romanian language - excerpt

Control amount: 1,700,000

Check only if necessary:		
	[ ]	Big Contributors submitting the balance sheet in Bucharest
	[ ]	Branch
	[ ]	GIE - Groups of economic interest

Financial situation type: BS

Year 2016

Legal Entity	Dr.Reddy's Laboratories Romania SRL

Address

Bucharest, district 1, Nicolae Caramfil Street no. 71, apt. 10, Phone 0212240032

Trade Register number	J40/6590/2010	Fiscal Identification Number:	27144903

Form of Property

35 - Limited liability companies

Preponderant activity (code and name from the NACE classification)

7320 Market research and public opinion polling

Actual preponderant activity (code and name from the NACE classification)

7320 Market research and public opinion polling

Financial annual statement
Small-sized entities

The financial annual statements as of December 31, 2016 issued by the entities listed at point 9 paragraph 3 of the Accounting Regulations approved by OMFP no. 1.802/2014 with subsequent changes and ammendments whose financial year is the same with the calendar year.

F10 - BALANCE SHEET
F20 - PROFIT AND LOSS ACCOUNT
F30 - INFORMATION
F40 - SITUATION OF PERMANENT ASSETS

DIRECTOR
Full name
Reddy Satish Kallam
Signature
electronic signature

Drawn up,
Full name
Nastase Catalin
Position
11 - Economic Manager
Signature

The entity is legally forced to yearly audit of the financial statements NO

VALIDATED form

BALANCE SHEET

F10 Page 1

short version

December 31st, 2016

Form 10 Lei

Name	Row no.	BALANCE ON	
		Jan. 1st, 2016	Dec. 31st, 2016
A	B	1	2
A. PERMANENT ASSETS			
I. INTANGIBLE PERMANENT ASSETS (acc.201+203+205+2071+4094+208-280-290)	01	197	0
II. TANGIBLE PERMANENT ASSETS (acc.211+212+213+214+215+216+217+223+224 +227+231+235+4093-281-291-2931-2935)	02	96,842	98,257
III. FINANCIAL PERMANENT ASSETS (acc.261+262+263+265+266+267*-296*)	03	72,006	85,708
PERMANENT ASSETS TOTAL (**row 01+02+03**)	04	169,045	183,965
B. CURRENT ASSETS			
I. STOCKS (acc.301+302+303+321+322+/-308+323+326+327+328+331+332+ 341+345+346+347+/-348+351+354+356+357+358+361+/-368+371+/-378+ 381+/-388+4091-391-392-393-394-395-396-397-398 - from acc.4428)	05	189,300	0
II. DEBTS (Amounts which are to be cashed in more than one year must be presented separately for each element) (acc.267*-296*+4092+411+413+418+425+4282+431**+ 437**+4382+441**+4424+from acc. 4428**+444**+445+446**+447**+4482+451**+453**+ 456**+4582+461+4662+473**-491-495-496+5187)	06	6,766,921	10,682,476
III. SHORT TERM INVESTMENTS (acc.501+505+506+507+ from acc. 508+5113+5114-591- 595-596-598)	07		
IV. CASH AND BANK ACCOUNTS (from acc. 508+ acc. 5112+512+531+532+541+542)	08	3,417,590	1,898,339
CURRENT ASSETS – TOTAL (**row 05+06+07+08**)	09	10,373,811	12,580,815
C. PREPAID EXPENSES (acc. 471) (row 11+12)	10	30,023	145,597
Amounts to resume in a period of under a year (out of acc. 471*)	11	30,023	145,597
Amounts to resume in a period of over a year (out of acc. 471*)	12		
D. DEBTS PAYABLE WITHIN ONE YEAR (acc. 161+162+166+167+168-169+269+ 401+403+404+405+408+419+421+423+424+426+427+4281+431***+437***+4381+ 441***+4423+4428***+444***+446***+447***+4481+451***+453***+455+456***+457+ 4581+462+4661+473***+509+5186+519)	13	511,451	760,261
E. NET CURRENT ASSETS, RESPECTIVELY NET CURRENT LIABILITIES (**row 09+11-13-20-23-26**)	14	9,892,383	11,966,151
F. TOTAL ASSETS MINUS CURRENT DEBTS (row 04+12+14)	15	10,061,428	12,150,116
G. DEBTS PAYABLE WITHIN MORE THAN ONE YEAR (acc.161+162+166+167+ 168-169+269+401+403+404+405+408+419+421+423+424+426+427+4281+431*** +437***+4381+441***+4423+4428***+444***+446***+447***+4481+451***+453*** +455+456***+457+4581+462+4661+473***+509+5186+519)	16		
H. PROVISIONS FOR RISKS AND EXPENSES (acc. 151)	17	689,111	579,027
I. EXPECTED INCOME (row 19+22+25+28)	18		
1. Subventions for investments (acc. 475) (**row 20+21**)	19		
Amounts to be resumed in a period of under a year (from acc. 475*)	20		
Amounts to be resumed in a period of over a year (from acc. 475*)	21		
2. Income registered in advance (acc. 472) - total (**rows 23+24**)	22		
Amounts to be resumed in a period of under a year (acc. 472*)	23		
Amounts to be resumed in a period of over a year (acc. 472*)	24		
3. Expected income for assets received by transfer from clients (acc. 478) (**row 26+27**)	25		
Amounts to be resumed in a period of under a year (from acc. 478*)	26		
Amounts to be resumed in a period of over a year (from acc. 478*)	27		
Negative commercial fund (acc. 2075)	28		
J. CAPITAL AND RESERVES			
I. CAPITAL (**row 30+31+32+33+34**)	29	1,700,000	1,700,000
1. Paid subscribed capital (acc. 1012)	30	1,700,000	1,700,000
2. Unpaid subscribed capital (acc. 1011)	31		
3. Administration patrimony (acc. 1015)	32		
4. Patrimony of national institutes for research and development (acc. 1018)	33		
5. Other elements of own equity (1031)	34		

II. CAPITAL PREMIUMS (acc. 104)	35		
III. REASSESSMENT RESERVES (acc. 105)	36		
IV. RESERVES (acc. 106)	37	340,000	340,000
Own shares (acc. 109)	38		
Earnings related to own capital instruments (acc. 141)	39		
Loses related to own capital instruments (acc. 149)	40		
V. RESULT CARRIED FORWARD (acc. 117) ----------- Balance C	41	5,637,884	7,332,317
----------- Balance D	42	0	0
VI. RESULT OF THE FINANCIAL YEAR (acc. 121) ---------- Balance C	43	1,694,433	2,198,772
---------- Balance D	44	0	0
Profit distribution (acc. 129)	45		0
TOTAL OWN EQUITY (row 29+35+36+37-38+39-40+41-42+43+44-45)	46	9,372,317	11,571,089
Public patrimony (acc. 1016)	47		
Private patrimony (acc. 1017)	48		
TOTAL EQUITY (rows 46+47+48) (row 04+09+10-13-16-17-18)	49	9,372,317	11,571,089

Control amount F10: 159806658/622502215

*) Accounts to be distributed according to the nature of the elements concerned

**) Debit balances of the respective accounts

***) Credit balances of the respective accounts

Row 06 - The amounts at this row and taken from the accounts 267 are the debts from the financial leasing contracts and from other assimilated contracts, as well as other permanent debts, due in less than 12 months

DIRECTOR
Full name
Reddy Satish Kallam
Signature

Drawn up,
Full name
Nastase Catalin
Position
11 - Economic Manager
Signature

VALIDATED FORM

The undersigned GHEORGHE AURORA, authorized translator for German and English languages based on the authorization no. 4106/2000, issued by the Ministry of Justice from Romania, hereby certify the accuracy of the translation from the Romanian language into English language, that the text was fully translated, without omissions and that through the translation the document was not changed in the content and meaning.

AURORA GHEORGHE
Traducător autorizat - Aut 4106
Lb. GERMANĂ-ENGLEZĂ

Translation from Romanian language

F20

PROFIT AND LOSS ACCOUNT
as of December 31st, 2016

Form 20 Lei

Index name A	Row no. B	Financial year 2015 1	Financial year 2016 2
1. Net turnover **(rows 02+03-04+05+06)**	01	23,149,218	25,608,649
Sold production (acc. 701+702+703+704+705+706+708)	02	23,149,218	25,608,649
Incomes from sales of commodities (acc. 707)	03		
Commercial discounts granted (acc. 709)	04		
Incomes from interests registered by entities deleted from the General Register, which still have leasing agreements in execution (acc. 766*)	05		
Incomes from operating subsidies corresponding to the net turnover (acc. 7411)	06		
2. Incomes pertaining to pending production costs (acc. 711+712) Balance C	07		
Balance D	08		
3. Incomes from production of intangible and tangible assets (acc. 721+722)	09		
4. Incomes from reassessment of tangible assets (acc. 755)	10		
5. Incomes from production of real estate investments (acc. 725)	11		
6. Incomes from operation subsidies (acc. 7412+7413+7414+7415+7416+7417 +7419)	12		
7. Other operating incomes (acc. 751+758+7815)	13	32,598	56,115
'- out of which, incomes from the negative goodwill (acc. 7815)	14		
'- out of which, incomes from subsidies for investments (acc. 7584)	15		
OPERATING INCOMES – TOTAL (rows 01+07-08+09+10+11+12+13)	16	23,181,816	25,664,764
8.a) Expenses with raw materials and consumable materials (acc. 601+602)	17	1,480,570	884,872
Other material expenses (acc. 603+604+606+608)	18	166,246	155,485
b) Other external expenses (with energy and water) (acc. 605)	19	15,647	18,408
c) Expenses regarding commodities (acc. 607)	20		
Commercial discounts received (acc. 609)	21		
9. Expenses with the staff (**rows 23+24**)	22	9,272,052	10,737,609
a) Salaries and allowances (acc. 641+642+643+644-7414)	23	7,395,677	8,477,913
b) Expenses with social insurance and security (acc. 645-7415)	24	1,876,375	2,259,696
10.a) Value adjustments regarding tangible and intangible assets (**rows 26-27**)	25	107,112	52,179
a.1) Expenses (acc. 6811+6813+6817)	26	107,112	52,179
a.2) Incomes (acc. 7813)	27		
b) Adjustment of the value of circulating assets (**rows 29-30**)	28	0	0
b.1) Expenses (acc. 654+6814)	29		
b.2) Incomes (acc. 754+7814)	30		
11. Other operating expenses (**rows 32 to 38**)	31	9,543,098	11,104,250
11.1 Expenses regarding external provided services (acc. 611+612+613+ 614+615+621+622+623+624+625+626+627+628)	32	8,100,639	10,235,586
11.2 Expenses with other taxes, charges and assimilated payments; expenses representing transfers and contributions due based on special regulations (acc. 635+6586*)	33	1,252,845	737,324
11.3 Expenses with environment protection (acc. 652)	34		
11.4 Expenses with reassessment of tangible assets (acc. 655)	35		
11.5 Expenses for calamities and other similar events (acc. 6587)	36		
11.6 Other expenses (acc. 651+6581+6582+6583+6588)	37	189,614	131,340
Expenses with interests registered by entities deleted from the General Register, which still have leasing agreements in execution (acc. 666*)	38		
Adjustments regarding the provisions (**rows 40-41**)	39	273,814	-110,084
Expenses (acc. 6812)	40	689,111	1,951,498
Incomes (acc. 7812)	41	415,297	2,061,582
OPERATING EXPENSES – TOTAL (rows 17 to 20-21+22+25+28+31+39)	42	20,858,539	22,842,719
OPERATING RESULT			
– Profit (**rows 16-42**)	43	2,323,277	2,822,045
– Loss (**rows 42-16**)	44	0	0
12. Incomes from shares (acc. 7611+7612+7613)	45		
- out of which, incomes from affiliated entities	46		
13. Incomes from interests (acc. 766*)	47	5,041	932
- out of which, incomes from affiliated entities	48		
14. Incomes from operation subsidies for owed interest (acc. 7418)	49		

15. Other financial incomes (acc. 762+764+765+767+768+7615)	50	6,772	2,759
- out of which, incomes from other financial assets (acc. 7615)	51		
FINANCIAL INCOMES – TOTAL (rows 45+47+49+50)	52	11,813	3,691
16. Value adjustment of permanent assets and of financial investments owned as circulating assets (rows 54-55)	53		
- Expenses (acc. 686)	54		
- Incomes (acc. 786)	55		
17. Expenses regarding interests (acc. 666*)	56		
- out of which, expenses in relation to affiliated entities	57		
Other financial expenses (acc. 663+664+665+667+668)	58	17,527	12,778
FINANCIAL EXPENSES – TOTAL (rows 53+56+58)	59	17,527	12,778
FINANCIAL RESULT			
- Profit (**rows 52-59**)	60	0	0
- Loss (**rows 59-52**)	61	5,714	9,087
TOTAL INCOMES (rows 16+52)	62	23,193,629	25,668,455
TOTAL EXPENSES (rows 42+59)	63	20,876,066	22,855,497
18. GROSS RESULT			
- Profit (**rows 62-63**)	64	2,317,563	2,812,958
- Loss (**rows 63-62**)	65	0	0
19. PROFIT TAX (acc. 691)	66	623,130	614,186
20. Other taxes that do not appear among the above elements (acc. 698)	67		
21. NET RESULT OF THE FINANCIAL YEAR			
Profit (**rows 64-65-66-67**)	68	1,694,433	2,198,772
Loss (**rows 65+66+67-64**)	69	0	0

Verification amount F20: 387893761 / 622502215

*) Accounts to be distributed according to the nature of the elements concerned
Row 23 - here are the rights of the collaborators, set according to the labor legislation, taken from the account 621 "Expenses with collaborators", analytical "Collaborators physical persons"
Row 33 - account 6586 "Expenses representing transfers and contributions owed based on special regulations" shows the expenses representing transfers and contributions owed based on special regulations other than the ones stipulated in the Fiscal Code

DIRECTOR
Full name
REDDY SATISH KALLAM
Signature

Drawn up,
Full name
Nastase Catalin
Position
11 - Economic Manager
Signature

VALIDATED FORM

The undersigned GHEORGHE AURORA, authorized translator for German and English languages based on the authorization no. 4106/2000, issued by the Ministry of Justice from Romania, hereby certify the accuracy of the translation from the Romanian language into English language, that the text was fully translated, without omissions and that through the translation the document was not changed in the content and meaning.

AURORA GHEORGHE
Traducător autorizat - Aut 4106
Lb. GERMANĂ-ENGLEZĂ

Independent Auditors’ Report

To the Members of **Dr. Reddy’s Laboratories SA**

We have audited the accompanying financial statements of **Dr. Reddy’s Laboratories SA**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company’s Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor’s Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	-	5	48
Capital Work in progress		-	1	-
Other Intangible Assets	2.1	314,436	64,174	49,161
Financial assets				
Investments	2.2	234,165	225,172	236,617
Other non current assets	2.3	112	463	46
Total non current assets		**548,713**	**289,815**	**285,872**
Current assets				
Inventories	2.4	9,020	954	1,033
Financial assets				
Trade receivables	2.5	35,036	73,414	65,645
Cash and cash equivalents	2.6	20,316	9,662	4,350
Loans	2.7	82,818	93,141	120,791
Derivative financial asset	2.8	437	16	5,911
Other assets	2.9	-	44	28,254
Other current assets	2.10	2,636	4,532	4,234
Total current assets		**150,263**	**181,763**	**230,218**
Total assets		**698,976**	**471,578**	**516,090**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.11	50,275	50,275	50,275
Other equity				
Retained earnings		224,220	265,803	245,085
Share Premium		85,758	85,758	85,758
Other reserves		16,155	11,979	(17,771)
Total equity		**376,408**	**413,815**	**363,347**
Non current liabilities				
Financial Liabilities				
Borrowings	2.12	23,226	421	34,560
Deferred tax liabilities,net		98	107	1,138
Other Liabilities	2.13	418	-	78
		23,742	**528**	**35,776**
Current liabilities				
Financial Liabilities				
Trade payables	2.14	43,328	17,180	29,439
Borrowings	2.15	233,460	18,220	-
Other current financial liabilities	2.16	20,274	15,600	78,656
Derivative Instruments	2.17	39	548	5,303
Other current liabilities	2.18	1,725	5,687	3,569
Total Liabilities		**298,826**	**57,235**	**116,967**
Total equity and liabilities		**698,976**	**471,578**	**516,090**

Significant accounting policies 1

The accompanying notes are 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 of **Dr. Reddy's Laboratories SA**

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Revenue from operations	2.19	142,368	163,521
Other Income	2.20	1,246	3,361
Total Income		**143,614**	**166,882**
Expenses			
Cost of material consumed		83,738	88,792
Employee benefits expense	2.21	3,954	3,987
Depreciation and amortisation expense	2.22	9,783	7,806
Finance costs	2.23	-	1,024
Other expenses	2.24	57,999	40,640
Total expense		**155,474**	**142,249**
Profit before tax		**(11,860)**	**24,633**
Tax expense	2.25	(458)	3,916
Profit for the year		**(11,402)**	**20,717**
Earnings per share			
Basic - Par value CHF 1 per share		(10.79)	19.61
Diluted - Par value CHF 1 per share		(10.79)	19.61
Significant accounting policies	1		

The accompanying notes are 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 of **Dr. Reddy's Laboratories SA**

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
(Loss)/Profit before taxation	(11,860)	24,633
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	9,783	7,806
Interest Income	(1,245)	(1,690)
Finance costs	-	1,024
Allowances for sales returns	51	324
Net foreign exchange differences	11,776	20,545
Provision for inventory obsolescence	(7)	21
Provision/(reversal of provision) for doubtful debts,net	(136)	(430)
Operating cash flows before working capital changes	**8,362**	**52,233**
Working capital adjustments:		
Increase in trade and other receivables and prepayments	32,630	(2,178)
Decrease in inventories	(8,412)	58
Increase in trade and other payables	30,618	(14,659)
Increase in other assets & liabilities,net	9,824	(163)
	73,022	**35,291**
Income tax paid	(3,038)	(4)
Net cash flows from operating activities	**69,984**	**35,287**
Net cash flows used in investing activities		
Purchase of tangible and intangible assets,net	(267,089)	(20,540)
Loans and advances repaid by/(given to) holding company and other group companies,net	3,316	38,744
(Increase)/Redemption of fixed deposits(having original matirity more than 3 months)	-	29,217
Investment in subsidiaries	(8,994)	(934)
Proceeds from redemption of share premium by Reddy Netherlands B.V.	-	12,379
Interest Received	1,245	1,814
	(271,522)	**60,680**
Net cash flows from/ (used in) financing activities		
Repayment of long term borrowings,net	23,765	(108,059)
Proceeds from/(Repayment of) short term borrowings,net	222,107	18,138
Interest paid	(2,497)	(1,038)
Dividends paid to equity holders	(30,182)	-
	213,193	**(90,959)**
Net increase / (decrease) in cash and cash equivalents	11,654	5,008
Cash and cash equivalents at the beginning of the year	9,662	4,350
Effect of foreign exchange loss on cash and cash equivalents	(1,000)	303
Cash and cash equivalents at the end of the year	**20,316**	**9,661**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	20,316	9,662
Cash and bank balances at the end of the year	**20,316**	**9,662**

The accompanying notes are 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 of Dr. Reddy's Laboratories SA

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2017

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

2.9 Total equity

For the year ended 31 March, 2017

Particulars	Share Capital		Other Equity				Total Equity
	Shares	Amount	Other Comprehensive Income(OCI)	Hedge Reserve(OCI)	Share premium	Retained Earnings	
Balance as of 1 April 2015	**105,640,410**	**50,275**	**8,463**	**(26,234)**	**85,758**	**245,085**	**363,347**
Effective portion of changes in fair value of cash flow hedges	-	-	-	46,278	-	-	46,278
Foreign currency translation adjustments	-	-	(16,528)	-	-	-	(16,528)
Profit for the period	-	-	-	-	-	20,717	20,717
Balance as of 31 March 2016	**105,640,410**	**50,275**	**(8,065)**	**20,044**	**85,758**	**265,803**	**413,815**
Effective portion of changes in fair value of cash flow hedges	-	-	-	(20,044)	-	-	(20,044)
Foreign currency translation adjustments	-	-	24,220	-	-	-	24,220
Profit for the period	-	-	-	-	-	(11,402)	(11,402)
Dividends paid	-	-	-	-	-	(30,182)	(30,182)
Balance as of 31 March 2017	**105,640,410**	**50,275**	**16,155**	**-**	**85,758**	**224,218**	**376,408**

As per our report of even date attached

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

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories SA**

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2017

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company’s financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company’s normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

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

Liabilities:

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

a) it is expected to be settled in the Company’s normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities
Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:
Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax
Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Other intangible assets

Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate.

Research and development

Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are 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 expenditures are capitalised only if:

- development costs can be measured reliably;
- the product or process is technically and commercially feasible;
- future economic benefits are probable; and
- the Company intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditures to be capitalised include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognised as expense in the statement of profit and loss as incurred.

Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalised. The Company's criteria for capitalisation of such assets are consistent with the guidance given in paragraph 25 of Ind AS 38 (i.e., receipt of economic benefits out of the separately purchased transaction is considered to be probable).

Acquired research and development intangible assets that are under development are recognised as intangibles assets under development. These assets are not amortized, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such assets is recorded as expenses in the statement of profit and loss.

Subsequent expenditure on an in-process research or development project acquired separately or in a business combination and recognised as an intangible asset is:

• recognised as an expense when incurred, if it is research expenditure;

• recognised as an expense when incurred, if it is development expenditure that does not satisfy the criteria for recognition as an intangible asset; and

• added to the carrying amount of the acquired in-process research or development project, if it is development expenditure that satisfies the recognition criteria

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognised immediately in the statement of profit and loss.

Amortisation

Amortization is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use.The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at each reporting date.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern
The accounts have been prepared on Going Concern basis.

1.2 Taxation

a. Current Taxes
The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the company.

b. Deferred Taxes
Deferred tax asset/(liability), net included in the balance sheet comprises the following:

Particulars	As at 31 March 2017	As at 31 March 2016
Deferred tax assets / (liabilities)		
Trade receivables	4	-
Operating Loss carryforward	468	-
Property, plant and equipment	(570)	(107)
Deferred tax liability, net	**(98)**	**(107)**

1.3 Provisions, Contingent Liabilities and Contingent Assets
Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.4 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as previously reported under Previous GAAP and that compared under Ind AS :

Particulars	As at 1 April 2015	As at 31 March 2016
Equity as per Indian GAAP	363,410	403,101
Adjustments:		
Impact on current and deferred taxes	-	1,762
Impairment of trade receivables due to expected credit loss model	(63)	(68)
Recognition of intangible assets not eligible for recognition under Indian GAAP	-	9,005
Others	-	15
Equity as per Ind AS	**363,347**	**413,815**

Reconciliation between financial results as previously reported under Previous GAAP and Ind AS for the year ended 31 March 2016

Profit for the year under previous GAAP	**12,603**
Recognition of intangible assets not eligible for recognition under Indian GAAP	9,052
Impact on current and deferred taxes	(934)
Others	(4)
Profit for the year under Ind AS	**20,717**

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.5 The company, incorporated in Switzerland , is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

1.6 Asset purchase agreement with Teva Pharmaceutical Industries Limited

On 10 June 2016, the Company entered into a definitive purchase agreement with Teva Pharmaceutical Industries Limited (“Teva”) and an affiliate of Allergan plc (“Allergan”) to acquire eight Abbreviated New Drug Applications (“ANDAs”) in the United States for U.S.$350 in cash at closing. The acquired products were divested by Teva as a precondition to the closing of its acquisition of Allergan’s generics business. The acquisition of these ANDAs was also contingent on the closing of the Teva/Allergan generics purchase transaction and approval by the U.S. Federal Trade Commission.

The acquisition was consummated on 3 August 2016 upon the completion of all closing conditions, and the Company paid U.S.$350 as the consideration for the acquired ANDAs

Tabulated below are the details of products acquired and the respective purchase prices:

Particulars of the ANDA	₹
Ethinyl estradiol/Ethonogestrel Vaginal Ring (a generic equivalent to NuvaRing®)	123,509
Buprenorphine HCl/Naloxone HCl Sublingual Film (a generic equivalent to Suboxone® sublingual film)	46,730
Ramelteon Tablets (a generic equivalent to Rozerem®)	22,700
Others	40,720
Grand Total	**233,659**

1.7 Change in the functional currency of a foreign operation:

Until 31 July 2016, the functional currency of Dr. Reddy’s Laboratories, SA, one of the Company’s subsidiaries in Switzerland (the “Swiss Subsidiary”), was determined to be the Indian rupee. During the three months ended 30 September 2016, the Swiss Subsidiary borrowed U.S.$350 from certain institutional lenders to acquire eight ANDAs in the United States (Refer note 2.47). The Company believes that the aforesaid transactions had significant impact on the primary economic environment of the Swiss Subsidiary and, accordingly, the Swiss Subsidiary’s operating, investing and financing activities will have a greater reliance on the United States dollar.

Accordingly, effective 1 August 2016, the functional currency of the Swiss Subsidiary was changed to the United States dollar. The change in functional currency of the Swiss subsidiary was applied prospectively from date of change in accordance with Ind AS 21, “The Effect of Changes in Foreign Exchange Rate”.

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

Note 2: Notes to financial statements (continued)

2.1 : Property, plant and equipment and Intangible Assets

	Gross Block					Depreciation/Impairment						Net Block	
Description	**As at 01.04.2016**	**Additions**	**Disposals**	**Foreign exchange adjustments**	**As at 31.03.2017**	**As at 01.04.2016**	**For the year**	**Impairment**	**Disposals**	**Foreign exchange adjustments**	**As at 31.03.2017**	**As at 31.03.2017**	**As at 31.03.2016**
Office equipments	270	18	9	(9)	268	265	23	-	9	(9)	268	-	5
Total tangible assets (A)	**270**	**18**	**9**	**(9)**	**268**	**265**	**23**	**-**	**9**	**(9)**	**268**	**-**	**5**
Intangibles	74,910	268,961	-	(9,552)	334,319	10,736	9,760	-	-	(613)	19,883	314,436	64,174
Total intangible assets (B)	**74,910**	**268,961**	**-**	**(9,552)**	**334,319**	**10,736**	**9,760**	**-**	**-**	**(613)**	**19,883**	**314,436**	**64,174**
Total (A+B)	**75,180**	**268,979**	**9**	**(9,561)**	**334,588**	**11,001**	**9,783**	**-**	**9**	**(622)**	**20,152**	**314,436**	**64,179**

Additions during the year ended 31 March 2017 primarily include:

(a) ₹ 233,659, representing the consideration paid to Teva Pharmaceutical Industries Limited to acquire eight Abbreviated New Drug Applications ("ANDAs") in the United States; and

(b) ₹ 31,588, representing the consideration for the acquisition from XenoPort, Inc. of exclusive U.S. rights for the development and commercialization of a clinical stage oral new chemical entity.

	Gross Block					Depreciation/Impairment						Net Block	
Description	**As at 01.04.2015**	**Additions**	**Disposals**	**Foreign exchange adjustments**	**As at 31.03.2016**	**As at 01.04.2015**	**For the year**	**Impairment**	**Disposals**	**Foreign exchange adjustments**	**As at 31.03.2016**	**As at 31.03.2016**	**As at 01.04.2015**
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	22,767	-	-	74,910	2,982	7,754	-	-	-	10,736	64,174	49,161
Total intangible assets (B)	**52,143**	**22,767**	**-**	**-**	**74,910**	**2,982**	**7,754**	**-**	**-**	**-**	**10,736**	**64,174**	**49,161**
Total (A+B)	**52,403**	**22,776**	**-**	**-**	**75,180**	**3,195**	**7,806**	**-**	**-**	**-**	**11,001**	**64,179**	**49,208**

Dr. Reddy's Laboratories SA

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

Note 2: Notes to the financial statements

FINANCIAL LIABILITIES

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.12 : Non Current Borrowings			
Borrowings from holding/other group companies	23,226	421	34,560
	23,226	**421**	**34,560**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.13 : Other non current liabilities			
Other long term liabilities	418	-	78
	418	**-**	**78**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.14 : Trade Payables			
Payables to holding company and other group companies	38,270	15,005	26,535
Payables to others	5,058	2,175	2,904
	43,328	**17,180**	**29,439**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.15 : Current Borrowings			
Borrowings from banks	233,460	18,220	-
	233,460	**18,220**	**-**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.16 : Other financial liabilities			
Accrued expenses	15,654	8,345	8,095
Capital Creditors	1,550	2,238	-
Current portion of long term debt	-	-	68,750
Interest accrued but not due	81	1	7
Other liabilities payable to holding and other group companies	2,989	5,016	1,804
	20,274	**15,600**	**78,656**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.17 : Derivative Instruments			
Derivative financial instrument liability	39	548	5,303
	39	**548**	**5,303**

Other Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.18 : Other Current Liabilities			
Salary & Bonus payable	457	477	418
Deferred Revenue	227	190	-
Due to statutory authorities	198	608	119
Advance from customers	38	-	-
Other liabilities	37	156	1,269
Income taxes payable	768	4,254	1,763
	1,725	**5,687**	**3,569**

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

Note 2: Notes to the financial statements

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Investments carried at cost			
Investment in subsidiaries	234,165	225,172	236,617
	234,165	**225,172**	**236,617**

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Other non current assets	47	50	46
Security Deposits	65	413	
Other Assets	**112**	**463**	**46**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Inventories			
(Valued on weighted average basis)			
Finished goods (at lower of cost and net realisable value)	1,576	939	1,033
Raw materials	7,444	15	-
	9,020	**954**	**1,033**

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.5 : Trade receivables			
(Unsecured,considered good)			
Receivable from holding company and other group companies	20,962	55,838	49,502
Receivable from Others	15,100	18,718	17,684
Less: Allowances for credit losses	(1,025)	(1,143)	(1,541)
	35,036	**73,414**	**65,645**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.6 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	861	717	1,850
- Deposit accounts (original maturity less than three months)	19,455	8,944	2,500
	20,316	**9,662**	**4,350**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.7 : Loans and Advances			
Advances given to holding company and other group companies	82,816	93,141	120,791
Advances Others	2	-	-
	82,818	**93,141**	**120,791**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.8 : Derivative Financial Instrument			
Derivative financial asset	437	16	5,911
	437	**16**	**5,911**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.9 : Other Assets			
Other assets receivable from holding and other group companies	-	44	5
Term deposits (maturity more than 3 months)	-	-	28,125
Other assets	-	-	124
	-	**44**	**28,254**

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.10 : Other current assets			
Prepaid expenses	369	450	394
Balances with statutory agencies	59	9	8
Claims receivable	903	2,823	-
Other assets	1,305	1,250	3,832
	2,636	**4,532**	**4,234**

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

Note 2: Notes to the financial statements

2.11 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
105,640,410 (31 March 2016 : 105,640,410; 1 April 2015 : 105,640,410) ordinary shares of CHF 1 each	50,275	50,275	50,275
Issued equity capital			
105,640,410 (31 March 2016 : 105,640,410; 1 April 2015 : 105,640,410) ordinary shares of CHF 1 each	50,275	50,275	50,275
Subscribed and fully paid-up			
105,640,410 (31 March 2016 : 105,640,410; 1 April 2015 : 105,640,410) ordinary shares of CHF 1 each	50,275	50,275	50,275
	50,275	**50,275**	**50,275**

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

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
Number of shares outstanding at the beginning of the year	105,640,410	50,275	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**	**105,640,410**	**50,275**

(b) **Terms/rights attached to equity shares**
The company has only one class of ordinary 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 2017		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares	No.of equity shares	% of equity shares
Dr. Reddy's Laboratories Limited	105,640,410	100%	105,640,410	100%	105,640,410	100%

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

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.19 : Revenue from operations		
Sales	141,912	162,730
Service Income	443	791
License Fee	13	-
	142,368	**163,521**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.20 : Other income		
Interest income		
On fixed deposits	92	264
On Others	1,153	1,426
Other operating revenues	1	1,670
	1,246	**3,361**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.21 : Employee benefits expense		
Salaries, wages and bonus	3,954	3,987
	3,954	**3,987**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.22 : Depreciation and amortisation expense		
Depreciation of Property,plant and equipment	23	49
Amortisation of intangible assets	9,760	7,756
	9,783	**7,806**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.23 : Finance costs		
Interest on borrowings	-	1,024
	-	**1,024**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.24 : Other expenses		
Legal and professional	6,834	1,954
Selling expenses	4,404	4,004
Travelling and conveyance	245	292
Rates and taxes	115	271
Rent	101	96
Foreign exchange loss, net	12,197	16,997
Other general expenses	34,102	17,026
	57,999	**40,640**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.25 : Tax expense		
Current tax expense/(benefit)	(456)	3,423
Deferred tax expense/(benefit)	(3)	493
	(458)	**3,916**

(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 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	778	992
	Dr. Reddy's Laboratories SAS	8	4
	Dr. Reddy's Laboratories (Australia) Pty. Limited	215	287
	Dr. Reddy's Laboratories Inc.	-	41
	Dr. Reddy's Laboratories (Canada) Inc.	4	8
	Dr. Reddy's Venezuela, C.A.	146	91
	Dr. Reddy's Farmaceutica Do Brasil Ltda.	1	-
ii.	**Purchases and services from holding company and other group companies:**		
	Chirotech Technology Limited	-	71
	Industrias Quimicas Falcon de Mexico, S.A.	-	6,202
	Dr. Reddy's Laboratories (EU) Limited	296	551
	Dr. Reddy's Laboratories Romania SRL	4,098	4,081
	Dr. Reddy's Laboratories (UK) Limited	135	72
	Dr. Reddy's Laboratories Inc.	4,425	1,459
	Dr. Reddy's Laboratories Limited	50,672	56,100
	Dr. Reddy's Research and development B.V.	231	173
	Dr. Reddy's Singapore PTE Limited	354	278
	Promius Pharma LLC	25	-
iii.	**Rent paid to holding company and other group companies:**		
	Dr. Reddy's Laboratories International SA	2	2
iv.	**Sales / (sales return) and services to holding company and other group companies:**		
	OOO Dr. Reddy's Laboratories Limited	8,726	5,361
	Dr. Reddy's Laboratories Inc.	79,719	104,331
	Dr. Reddy's Laboratories LLC, Ukraine	365	97
	Dr. Reddy's Laboratories Canada Inc.	159	154
	Dr. Reddy's Laboratories SAS	164	-
	Dr. Reddy's Laboratories (Australia) Pty. Limited	1,785	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.	2,440	1,614
	Dr. Reddy's Laboratories Limited	39	71
vi.	**Guarantee commision paid / payable to holding and other group companies:**		
	Dr. Reddy's Laboratories Limited	-	212
vii.	**Guarantee commission received from holding company and other group companies:**		
	Dr. Reddy's Laboratories (EU) Limited	-	4

(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 (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	6
	Dr. Reddy's Laboratories (UK) Limited	31	-
	Dr. Reddy's Laboratories (EU) Limited	55	-
	Lacock Holdings Limited	7	-
ix.	**Investments made/(sold) in other group companies:**		
	Reddy Netherlands B.V.	-	(12,379)
	Reddy Pharma SAS	362	362
	Dr. Reddy’s Laboratories Japan KK	-	139
	Dr. Reddy’s Laboratories SAS	-	433
	Dr. Reddy’s Laboratories Khazakhstan LLP	309	-
	Dr. Reddy’s Laboratories (Canada) Inc.	1,517	-
	OOO Dr. Reddy's Laboratories Limited	6,806	-
x.	**Dividend Paid to holding company:**		
	Dr. Reddy’s Laboratories Limited	30,182	-

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 current financial assets):**		
	Dr. Reddy's Venezuela, C.A.	5,712	3,975
	Dr. Reddy's Farmaceutica Do Brasil Ltda.	1,298	-
	Dr. Reddy’s Laboratories (Canada) Inc.	-	269
	Dr. Reddy's Srl	-	44
	Reddy Holdings GmbH	68,426	81,490
	Dr. Reddy’s Laboratories SAS	478	235
	Dr. Reddy’s Laboratories (Australia) Pty. Limited	6,902	7,172
ii.	**Due from holding company and other group companies (included in trade receivables):**		
	Dr. Reddy’s Laboratories Limited	2	-
	OOO Dr. Reddy's Laboratories Limited	8,021	4,336
	Industrias Quimicas Falcon de Mexico, S.A.	-	1
	Dr. Reddy’s Laboratories Inc.	12,333	50,768
	Dr. Reddy’s Laboratories LLC, Ukraine	357	90
	Dr. Reddy's Laboratories Canada Inc.	-	462
	Dr. Reddy’s Laboratories (Australia) Pty. Limited	92	183
	Dr. Reddy's Laboratories SAS	157	-
iii.	**Due to holding company and other group companies (included in trade payables):**		
	Dr. Reddy’s Laboratories Limited	33,307	12,345
	Industrias Quimicas Falcon de Mexico, S.A.	2,866	892
	Dr. Reddy’s Laboratories Romania SRL	1,473	1,146
	Dr. Reddy’s Singapore PTE. LTD.	346	276
	Dr. Reddy's Laboratories (EU) Limited	146	165
	Chirotech Technology Limited	-	70
	Dr. Reddy's Research and development B.V.	-	36
	Dr. Reddy's Laboratories (UK) Limited	132	73
iv.	**Due to holding company and other group companies (included in other current financial liabilities):**		
	Dr. Reddy’s Laboratories Limited	116	1,580
	OOO Dr. Reddy’s Laboratories Limited	560	208
	Dr. Reddy’s Laboratories Inc.	2,139	3,112
	Dr. Reddy's Laboratories International SA	2	2
	Reddy Holdings GmbH	-	113
	Promius Pharma LLC	25	-
	Dr. Reddy's Laboratories Canada Inc.	73	-
	Dr. Reddy's Research and development B.V.	74	-
v.	**Due to holding company and other group companies (included in borrowings):**		
	Dr. Reddy's Laboratories International SA	454	421
	Dr. Reddy's Laboratories (UK) Limited	9,109	-
	Dr. Reddy's Laboratories (EU) Limited	12,270	-
	Lacock Holdings Limited	1,393	-

Independent Auditors' Report

To the Members of **Dr. Reddy's Laboratories SAS**

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories SAS**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	3,575	3,601	-
Financial Assets				
Other assets	2.2	162	160	-
Other non current assets	2.3	907	-	-
Total non current assets		**4,644**	**3,761**	**-**
Current assets				
Inventories	2.4	73,615	-	-
Financial assets				
Cash and cash equivalents	2.5	19,042	43,714	4,984
Trade receivables	2.6	37,970	-	-
Loans	2.7	596	-	-
Other current assets	2.8	258	133	-
Total current assets		**131,481**	**43,847**	**4,984**
Total assets		**136,125**	**47,608**	**4,984**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.9	49,231	49,230	5,561
Other equity				
Retained earnings		(51,453)	(27,559)	(758)
Total equity		**(2,222)**	**21,671**	**4,803**
Non current liabilities				
Financial Liabilities				
Borrowings	2.10	47,749	23,540	-
		47,749	**23,540**	**-**
Current liabilities				
Financial Liabilities				
Trade payables	2.11	84,657	-	-
Other current financial liabilities	2.12	4,188	1,245	181
Other current liabilities	2.13	1,753	1,152	-
Total Liabilities		**90,598**	**2,397**	**181**
Total equity and liabilities		**136,125**	**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

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories SAS**

PSRVV Surya Rao
Partner
Membership No. 202367

M V Ramana
Director

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2017

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 year ended 31 March 2017	For the year ended 31 March 2016
Revenue from operations	2.14	62,773	-
Foreign exchange gain,net		1,602	-
Total Income		**64,375**	**-**
Expenses			
Cost of raw material consumed		20,231	-
Employee benefit expense	2.15	43,225	11,279
Finance costs	2.16	769	351
Depreciation and amortisation expense	2.17	1,222	357
Other expenses	2.18	22,767	14,814
Total expense		**88,214**	**26,801**
Loss before tax		**(23,839)**	**(26,801)**
Income tax expense	2.19	55	-
Loss for the year		**(23,894)**	**(26,801)**
Earnings per share			
Basic - Par Value COP 100,000 per share		(1,095.41)	(1,228.67)
Diluted - Par Value COP 100,000 per share		(1,095.41)	(1,228.67)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories SAS**

M V Ramana
Director

Saumen Chakraborty
Director

Dr. Reddy's Laboratories SAS
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2017	For the year ended 31 March 2016
Operating activities		
Loss before taxation	(23,839)	(26,801)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	1,222	357
Finance costs	769	351
Net foreign exchange differences	(827)	725
Operating cash flows before working capital changes	**(22,675)**	**(25,368)**
Working capital adjustments:		
Trade and other receivables	(38,174)	-
Trade payables	85,112	-
Inventories	(73,615)	-
Other assets & liabilities,net	1,834	1,971
	(47,518)	**(23,397)**
Income tax paid	-	-
Net cash flows from operating activities	**(47,518)**	**(23,397)**
Net cash flows used in investing activities		
Purchase of fixed assets	(1,196)	(3,958)
	(1,196)	**(3,958)**
Net cash flows from/ (used in) financing activities		
Proceeds from long term borrowings,net	23,174	24,279
Proceeds from issuance of share capital	1	43,669
	23,175	**67,948**
Net increase / (decrease) in cash and cash equivalents	(25,539)	40,593
Cash and cash equivalents at the beginning of the year	43,714	4,984
Effect of foreign exchange loss on cash and cash equivalents	867	(1,863)
Cash and cash equivalents at the end of the year	**19,042**	**43,714**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	19,042	43,714
Cash and bank balances at the end of the year	**19,042**	**43,714**

The accompanying notes are 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 of **Dr. Reddy's Laboratories SAS**

PSRVV Surya Rao
Partner
Membership No. 202367

M V Ramana
Director

Place: Hyderabad
Date: 9 May 2017

Saumen Chakraborty
Director

Dr. Reddy's Laboratories SAS

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2015	**100,000**	**5,561**	**(758)**	**4,803**
Shares issued during the year	962,311	43,669	-	43,669
Profit for the period	-	-	(26,801)	(26,801)
Balance as of 31 March 2016	**1,062,311**	**49,230**	**(27,559)**	**21,671**
Shares issued during the year	-	1	-	-
Profit for the period	-	-	(23,894)	(23,893)
Balance as of 31 March 2017	**1,062,311**	**49,231**	**(51,453)**	**(2,222)**

As per our report of even date attached

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

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories SAS**

PSRVV Surya Rao
Partner
Membership No. 202367

M V Ramana
Director

Place: Hyderabad
Date: 9 May 2017

Saumen Chakraborty
Director

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.4 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Dr. Reddy's Laboratories SAS

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Related Party Transactions

a. The company has the following transactions with related parties :

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest expense paid to holding and other group companies:		
Dr. Reddy's Laboratories SA	769	351

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

Particulars	As at 31 March 2017	As at 31 March 2016
Due to holding company and other group companies(included in trade payables		
Dr. Reddy's Laboratories SA	15,713	-
Dr. Reddy's Laboratories Limited	68,944	
Due to holding company and other group companies(included in borrowings):		
Dr. Reddy's Laboratories SA	47,749	23,540

1.3 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.4 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.5 The company, incorporated in Colombia , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

Dr. Reddy's Laboratories SAS

Notes to Financial Statements

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

2.1 : Property, plant and equipment

	Gross Block				Depreciation				Net Block	
Description	**As at 01.04.2016**	**Additions**	**Disposals**	**As at 31.03.2017**	**As at 01.04.2016**	**For the year**	**Disposals**	**As at 31.03.2017**	**As at 31.03.2017**	**As at 31.03.2016**
Office Equipment	1,122	1,149	-	2,271	132	578	-	710	1,561	990
Furniture & Fixtures	808	45	-	853	59	108	-	167	686	749
Vehicles	2,028	-	-	2,028	166	534	-	700	1,328	1,862
Total Tangible Assets	**3,958**	**1,194**	**-**	**5,152**	**357**	**1,220**	**-**	**1,577**	**3,575**	**3,601**

	Gross Block				Depreciation				Net Block	
Description	**As at 1.04.2015**	**Additions**	**Disposals**	**As at 31.03.2016**	**As at 1.04.2015**	**For the year**	**Disposals**	**As at 31.03.2016**	**As at 31.03.2016**	**As at 1.04.2015**
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	**-**	**3,958**	**-**	**3,958**	**-**	**357**	**-**	**357**	**3,601**	**-**

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

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Other financial assets			
Security Deposits	162	160	-
	162	**160**	**-**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Other Assets			
Advance income taxes	907	-	-
	907	**-**	**-**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Inventories			
Finished goods	73,615	-	-
	73,615	**-**	**-**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.5 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	19,042	43,714	4,984
	19,042	**43,714**	**4,984**

2.6 : Trade receivables	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
(Unsecured,considered good)			
Receivables from other parties	37,970	-	-
	37,970	**-**	**-**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.7 : Loans and Advances			
Other advances	596	-	-
	596	**-**	**-**

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.8 : Other current assets			
Advances to employees	258	133	-
	258	**133**	**-**

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

2.9 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
1,000,000 (31 March 2016: 48,699,955 of USD 1 each; 1 April 2015: 100,000 of USD 1 Each) equity shares of COP 100,000 each	49,231	49,230	5,561
Issued equity capital			
21,813 (31 March 2016 : 1,062,311 of USD 1 each; 1 April 2015: 1,00,000 of USD 1 each) equity shares of COP 100,000 each	49,231	49,230	5,561
Subscribed and fully paid-up			
21,813 (31 March 2016 : 1,062,311 of USD 1 each; 1 April 2015: 1,00,000 of USD 1 each) equity shares of COP 100,000 each	49,231	49,230	5,561
	49,231	**49,230**	**5,561**

(a) **Terms/rights attached to equity shares**

The company has only one class of equity shares having a par value of COP 100,000 per share. Each holder of equity shares is entitled to one vote per share.

(b) **Details of shareholders holding more than 5% shares in the Company**

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	No of shares	% of equity shares	No of shares	% of equity shares	No of shares	% of equity shares
Dr. Reddy's Laboratories SA	21,813	100%	1,062,311	100%	100,000	100%

Financial Liabilities

2.10 : Borrowings	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
From other parties			
Long term borrowings from holding company and other group companies	47,749	23,540	-
	47,749	**23,540**	**-**

2.11 : Trade Payables	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Payables to holding and other group companies	84,657	-	-
	84,657	**-**	**-**

2.12 : Other financial liabilities	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Accrued expenses	4,188	1,245	181
	4,188	**1,245**	**181**

Other Liabilities

2.13 : Other Current Liabilities	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Taxes payable	455	127	-
Salary and bonus payable	1,113	1,013	-
Other liabilities	185	12	-
	1,753	**1,152**	**-**

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

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.14 : Revenue from operations		
Sales (including excise duty)	62,773	-
	62,773	**-**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.15 : Employee benefit expenses		
Salaries,wages and bonus	36,987	10,334
Contribution to provident and other funds	6,238	945
	43,225	**11,279**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.16 : Finance costs		
Interest on long term borrowings	769	351
	769	**351**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.17 : Depreciation and amortisation expense		
Depreciation of Property, plant and equipment	1,222	357
	1,222	**357**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.18 : Other expenses		
Foreign exchange loss,net	-	2,556
Legal and professional	3,481	3,744
Rates and taxes	-	32
Rent	2,540	2,130
Travel and conveyance	3,331	459
Selling expenses	6,102	-
Other general expenses	7,313	5,893
	22,767	**14,814**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.19 : Tax expense		
Current tax expense	55	-
	55	**-**

KPMG

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Independent Auditors' Report

The Board of Directors
Dr. Reddy's Laboratories Limited

We have audited the accompanying statements of financial position of Dr. Reddy's Laboratories Tennessee LLC as of March 31, 2017 and 2016 and the related income statements, statements of comprehensive income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dr. Reddy's Laboratories Tennessee LLC as of March 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

As discussed in Note 2 to the financial statements, the Company has changed its basis of accounting to IFRS during the year ended March 31, 2017. Consequently, the Company's financial statements for 2016 referred to above have been restated to conform to IFRS. Prior to adoption of IFRS, the Company prepared financial statements in accordance with accounting principles generally accepted in the India ("Indian GAAP").

Indian GAAP varies in certain significant respects from IFRS. Information relating to the nature and effect of such differences are presented in Note 2 to the financial statements.

KPMG

Hyderabad, India

May 12, 2017

DR. REDDY'S LABORATORIES TENNESSEE LLC

Financial Statements

March 31, 2017 and March 31, 2016

DR. REDDY'S LABORATORIES TENNESSEE LLC.

Financial Statements

March 31, 2017 and March 31, 2016

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DR. REDDY’S LABORATORIES TENNESSEE LLC
STATEMENT OF FINANCIAL POSITION
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

		As of	
PARTICULARS	**Note**	**March 31, 2017**	**March 31, 2016**
ASSETS			
Current assets			
Cash and cash equivalents	9	60,662	90,161
Inventories	7	673,803	781,015
Other current assets	8	7,524,902	6,729,210
Total current assets		**8,259,367**	**7,600,386**
Non-current assets			
Property, plant and equipment	5	5,775,672	11,658,957
Other intangible assets	6	-	-
Deferred tax assets	16	744,193	-
Other non-current assets	8	1,975	1,975
Total non-current assets		**6,521,840**	**11,660,932**
Total assets		**14,781,207**	**19,261,318**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	56,411	471,501
Loans and borrowings	15	31,442,981	25,209,887
Other current liabilities	12	1,815,724	1,367,826
Total current liabilities		**33,315,116**	**27,049,214**
Non-current liabilities			
Deferred tax liabilities	16	-	3,762,824
Total non-current liabilities		**-**	**3,762,824**
Total liabilities		**33,315,116**	**30,812,038**
Equity			
Share capital	10	25,000,000	25,000,000
Retained earnings		(43,642,189)	(36,634,200)
Share based payment reserve		108,280	83,480
Total equity		**(18,533,909)**	**(11,550,720)**
Total liabilities and equity		**14,781,207**	**19,261,318**

The accompanying notes form an integral part of these financial statements.

DR. REDDY'S LABORATORIES TENNESSEE LLC
INCOME STATEMENT
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	Note	For the year ended March 31, 2017	For the year ended March 31, 2016
Revenue	14	4,196,295	6,666,377
Cost of revenue		15,014,306	12,393,524
Gross loss		**(10,818,011)**	**(5,727,147)**
Selling, general and administrative expenses		1,589,732	3,620,001
Other expense / (income), net	13	13,795	22,418
Total operating expenses		**1,603,527**	**3,642,419**
Loss before income tax		**(12,421,538)**	**(9,369,566)**
Income tax benefit	16	(5,413,549)	(2,669,716)
Loss for the year		**(7,007,989)**	**(6,699,850)**

The accompanying notes form an integral part of these financial statements.

DR. REDDY'S LABORATORIES TENNESSEE LLC

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICLUARS	**For the year ended March 31, 2017**	**For the year ended March 31, 2016**
Loss for the year	**(7,007,989)**	**(6,699,850)**
Other comprehensive loss		
Items that will not be reclassified to profit or loss	-	-
Total items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Total items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive loss for the year, net of income tax	**(7,007,989)**	**(6,699,850)**
Total comprehensive loss for the year	**(7,007,989)**	**(6,699,850)**

The accompanying notes form an integral part of these financial statements.

DR. REDDY’S LABORATORIES TENNESSEE LLC
STATEMENT OF CHANGES IN EQUITY
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	Share Capital	Share based payment reserve	Retained earnings	Total
Balance as of April 01, 2015 (A)	**25,000,000**	**56,468**	**(29,934,350)**	**(4,877,882)**
Total Comprehensive income				
Loss for the period	-	-	(6,699,850)	(6,699,850)
Total Comprehensive income (B)	**-**	**-**	**(6,699,850)**	**(6,699,850)**
Transactions with owners of the Company				
Contributions and distributions				
Share based payment expense	-	27,012	-	27,012
Total contributions and distributions	**-**	**27,012**	**-**	**27,012**
Total transactions with owners of the Company (C)	-	-	-	-
Balance as of March 31,2016 [(A)+(B)+(C)]	**250,00,000**	**83,480**	**(36,634,200)**	**(11,550,720)**
Balance as of April 01, 2016 (A)	**250,00,000**	**83,480**	**(36,634,200)**	**(11,550,720)**
Total Comprehensive income				
Loss for the period	-	-	(7,007,989)	(7,007,989)
Foreign currency translation adjustments	-	-	-	-
Total Comprehensive income (B)	**-**	**-**	**(7,007,989)**	**(7,007,989)**
Transactions with owners of the Company				
Contributions and distributions				
Share based payment expense	-	24,800	-	24,800
Total contributions and distributions	**-**	**24,800**	**-**	**24,800**
Total transactions with owners of the Company (C)	-	**24,800**	-	**24,800**
Balance as of March 31,2017 [(A)+(B)+(C)]	**250,00,000**	**108,280**	**(43,642,189)**	**(18,533,909)**

DR. REDDY’S LABORATORIES TENNESSEE LLC
STATEMENT OF CASH FLOWS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	For the year ended	
	March 31, 2017	**March 31, 2016**
Cash flows from/(used in) operating activities:		
Loss for the year	(7,007,989)	(6,699,850)
Adjustments for:		
Depreciation and amortization	1,120,408	2,572,160
Impairment loss on tangible assets	5,090,000	-
Inventory write down	2,918,639	415,970
Share based payment expense	24,800	27,012
Loss on sale of property, plant and equipment	13,683	23,327
Income tax benefit	(5,413,549)	(2,669,716)
Changes in operating assets and liabilities:		
Inventories	(2,811,428)	2,847,396
Other assets and liabilities	110,839	(34,431)
Trade payables	(412,838)	(124,068)
Other liabilities	447,898	(22,497,820)
Net cash from operating activities	**(5,919,537)**	**(26,140,020)**
Cash flows from/(used in) investing activities:		
Expenditure on property, plant and equipment	(343,056)	-
Proceeds from sale of property, plant and equipment	-	24,413
Net cash (used)/ from in investing activities	**(343,056)**	**24,413**
Cash flows from/(used in) financing activities:		
Proceeds from loans and borrowings from parent company, net	6,233,094	25,209,887
Net cash used in financing activities	**6,233,094**	**25,209,887**
Net decrease in cash and cash equivalents during the year	(29,499)	(905,720)
Cash and cash equivalents at the beginning of the year	90,161	995,881
Cash and cash equivalents at the end of the year	**60,662**	**90,161**

1. Reporting entity

In March 2011, the Company acquired from GlaxoSmithKline plc and Glaxo Group Limited (collectively, “GSK”) a penicillin based antibiotics manufacturing site in Bristol, Tennessee, U.S.A., the product rights for GSK’s Augmentin® and Amoxil® brands of oral penicillin-based antibiotics in the United States (GSK retained the existing rights for these brands outside the United States), certain raw materials and finished goods inventory associated with Augmentin®, and rights to receive certain transitional services from GSK. The acquisition enabled the Company to enter the U.S. oral antibiotics market with a comprehensive product filing and a dedicated manufacturing site.

2. Basis of preparation of financial statements

a. Statement of compliance

These financial statements as at and for the year ended March 31, 2017 have been prepared in accordance with the International Financial Reporting Standards and its interpretations (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These are the Company’s first IFRS financial statements and IFRS 1, “First-time adoption of International Financial Reporting Standards,” has been applied. The transition was carried out from the accounting principles generally accepted in India (“Indian GAAP”, referred to herein as “Previous GAAP”), which is considered as the Company’s previous GAAP, as defined in IFRS 1.

An explanation of how the transition to IFRS has affected the Company’s equity and profit is provided below.

These financial statements have been prepared on the basis of relevant IFRS that are effective or available for early adoption at the Company’s first IFRS annual reporting date, March 31, 2017.

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing the opening IFRS equity balance at April 1, 2015 for the purposes of the transition to IFRS, as required by IFRS 1.

Explanation of transition to IFRS reporting

As stated in Note 2(A), the Company’s financial statements for the year ended March 31, 2017 are the first annual financial statements prepared by the Company to comply with IFRS. The adoption of IFRS was carried out in accordance with IFRS 1, using April 1, 2015 as the transition date. The transition was carried out from Indian GAAP, which was considered the Previous GAAP under IFRS. The effect of adopting IFRS has been summarized in the reconciliations provided below.

In preparing these financial statements, the Company has availed itself of certain exemptions and exceptions in accordance with IFRS 1.

A. Exemptions from retrospective application

The following are the exemptions which the Company has opted to apply/not to apply:

i. Fair value as deemed cost exemption: The Company has not elected to measure any item of property, plant and equipment at its fair value at the Transition Date; property, plant and equipment have been measured at cost in accordance with IFRS.

2. Basis of preparation of financial statements (continued)

a. Statement of compliance (continued)

ii. Compound financial instruments: The Company did not have any compound financial instrument as of the Transition Date.

iii. Share-based payment transaction exemption: Under Previous GAAP, the Company had applied the intrinsic value recognition and measurement principles for all options granted before the Transition Date. Consequently, the Company has elected to apply the exemption as provided in IFRS 1 for all the options granted after November 7, 2002 and are not yet vested as on the Transition date.

iv. Fair value measurement of financial assets or liabilities at initial recognition: The Company has not applied the amendment offered by the revision of IAS 39, "Financial Instruments: Recognition and Measurement", upon the initial recognition of the financial instruments measured at fair value through profit or loss where there is no active market.

v. Designation of financial assets and financial liabilities exemption: The Company did not have any financial assets or liabilities as of the Transition Date which were required to be designated, and which met the required criteria given in IFRS 1, as a financial asset or financial liability at fair value through profit or loss.

vi. Changes in decommissioning liabilities included in the cost of property, plant and equipment exemption: The Company does not have any material decommissioning, restoration or similar liabilities in the cost of property, plant and equipment. Consequently, this exception is not applicable to the Company.

vii. Leases exemption: The Company does not have any arrangements containing a lease as defined under IFRIC 4, "Determining whether an arrangement contains a lease". Consequently, this exemption is not applicable to the Company.

viii. Financial asset or an intangible asset accounted for in accordance with IFRIC 12, Service Concession Arrangements exemption: The Company does not have any arrangements which would be classified as a service concession arrangement under IFRIC 12 "Service Concession Arrangements". Consequently, this exemption is not applicable to the Company.

ix. Insurance contracts: The Company does not issue any insurance contracts. Consequently, this exemption is not applicable to the Company.

B. Exceptions from full retrospective application

i. Derecognition of financial assets and liabilities exception: Financial assets and liabilities derecognized before January 1, 2004 are not re-recognized under IFRS. No arrangements were identified that had to be assessed under this exception.

ii. Hedge accounting exception: The Company has not identified any hedging relationships existing as of the Transition Date. Consequently, this exception, of not reflecting in its opening IFRS statement of financial position a hedging relationship of a type that does not qualify for hedge accounting under IAS 39, is not applicable to the Company.

iii. Estimates exception: Upon an assessment of the estimates made under Previous GAAP, the Company has concluded that there was no necessity to revise such estimates under IFRS, except where estimates were required by IFRS and not required by Previous GAAP.

iv. Assets classified as held for sale and discontinued operations: The Company did not have any assets classified as held for sale, and therefore this exception is not applicable.

2. Basis of preparation of financial statements (continued)

a. Statement of compliance (continued)

C. Reconciliations

The accounting policies as stated above have been applied in preparing the financial statements for the year ended March 31, 2017, the comparative information for the year ended March 31, 2016 and the opening IFRS equity at April 1, 2015. In preparing its opening IFRS equity and the comparative financial information for the year ended March 31, 2016, the Company has adjusted amounts reported previously in its financial statements prepared in accordance with Previous GAAP.

An explanation of how the transition from Previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

i. Reconciliation of equity

ii. Reconciliation of profit for the period

These reconciliations have been given in Note 21.

These financial statements were authorized for issuance by the Company's Board of Directors on **May 12 2017.**

b. Basis of measurement

These financial statements have been prepared on the historical cost convention and on an accrual basis.

c. Going Concern

The Company's financial statement for the year ended March 31, 2017 and March 31, 2016 have been prepared on a going concern basis which assumes that the Company will continue to be able to meet its liabilities as they fall due for the foreseeable future.

As of March 31, 2017 and 2016 the Company had working capital deficit of USD 25,055,749 and USD 19,448,828. The Company had incurred losses of USD 7,007,989 and USD 6,699,850 and had positive and negative cash flow from operations of USD 313,556 and USD 930,133 for the year ended March 31 2017 and March 31, 2016 respectively. The resource requirements of the Company have been currently funded by its Parent Company Dr. Reddy's Laboratories Inc.

Based on these factors, inspite of the incurred losses and negative cash flows from operations in the Company, the financial statements are prepared with going concern assumption.

d. Functional and presentation currency

The Company's operations are self-contained and integrated within the respective countries/regions (i.e., United States of America), the functional currency has been determined to be the local currency of that country (i.e., U.S. Dollar).

e. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. Basis of preparation of financial statements (continued)

e. Use of estimates and judgments (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 2(c) – Going concern;
- Note 2(d) – Functional currency;
- Note 3(a) and 19 — Financial instruments;
- Note 3(b) — Useful life of property plant and equipment;
- Note 3(c) — Useful life of intangible assets
- Note 3(d) — Valuation of inventories;
- Note 3(e) — Measurement of recoverable amounts of cash-generating units;
- Note 3(f) — Provisions;
- Note 3(h) — Evaluation of recoverability of deferred tax assets;
- Note 3(i) — Share-based payment transactions;

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

a. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments consist of trade and other receivables, cash and cash equivalents, trade and other payables and certain other assets and liabilities.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs, except for those instruments that are designated as being fair value through profit and loss upon initial recognition. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is expected within one year or within the normal operating cycle of the business.

3. Significant accounting policies (continued)

a. Financial instruments (continued)

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are classified as current assets if the collection is expected within one year or within the normal operating cycle of the business.

Others

Other non-derivative financial instruments are initially recognized at fair value. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method, less any impairment losses.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right and ability to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

b. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other (income/expense, net)" in income statement.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in income statement as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognized in income statement on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expenses is included in the costs of the functions using the asset. Land is not depreciated.

Leasehold improvements are depreciated over period of the lease agreement or the useful life, whichever is shorter.

3. Significant accounting policies (continued)

b. Property, plant and equipment (continued)

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	25 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Software for internal use, which is primarily acquired from third-party vendors and which is an integral part of a tangible asset, including consultancy charges for implementing the software, is capitalized as part of the related tangible asset. Subsequent costs associated with maintaining such software are recognised as expense as incurred. The capitalized costs are amortized over the estimated useful life of the software or the remaining useful life of the tangible fixed asset, whichever is lower.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

c. Goodwill and other Intangible assets

Goodwill

Goodwill represents the excess of consideration transferred, together with the amount of non-controlling interest in the acquiree, over the fair value of the Company's share of identifiable net assets acquired. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying value of the equity accounted investee.

Other intangible assets

Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Research and development

Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in the income statement when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if:

- development costs can be measured reliably;
- the product or process is technically and commercially feasible;
- future economic benefits are probable; and
- the Company intends to and has sufficient resources to complete development and to use or sell the asset.

3. Significant accounting policies (continued)

c. Goodwill and other Intangible assets (continued)

The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in the income statement as incurred.

Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalized. The Company's criteria for capitalization of such assets are consistent with the guidance given in paragraph 25 of International Accounting Standard 38 ("IAS 38") (i.e., receipt of economic benefits out of the separately purchased transaction is considered to be probable).

Acquired research and development intangible assets which are under development, are recognized as In-Process Research and Development assets ("IPR&D"). IPR&D assets are not amortized, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such IPR&D assets is recorded in the income statement under "Research and Development expenses".

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognized immediately in the income statement.

Amortization

Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use.

The estimated useful lives are as follows:

Trademarks	3 - 12 years
Product related intangibles	5 - 15 years
Customer-related intangibles	1 - 11 years
Other intangibles	3 - 15 years

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date.

De-recognition of intangible assets

Intangible assets are de-recognized either on their disposal or where no future economic benefits are expected from their use. Losses arising on such de-recognition are recorded in the income statement, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of de-recognition.

d. Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3. Significant accounting policies (continued)

d. Inventories (continued)

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory includes estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

e. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. All impairment losses/ (reversal of impairment losses) are recognized in income statement.

When the fair value of available-for-sale financial assets declines below acquisition cost and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in other comprehensive income is transferred to the statement of income. An impairment loss may be reversed in subsequent periods, if the indicators for the impairment no longer exist. Such reversals are recognized in other comprehensive income.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at March 31.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized in the income statement if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3. Significant accounting policies (continued)

e. Impairment (continued)

An impairment loss in respect of equity accounted investee is measured by comparing the recoverable amount of investment with its carrying amount. An impairment loss is recognized in the income statement, and reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

f. Provisions

A provision is recognized in income statement if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognized only when receipt of such reimbursements is virtually certain. Such reimbursements are recognized as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

g. Revenue

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 probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

h. Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies (continued)

h. Income tax (continued)

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

i. Share-based payment transactions

The grant date fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share based payment transaction is presented as a separate component in equity under “Share based payment reserve”. The amount recognized as an expense is adjusted to reflect the actual number of stock options that vest.

j. Finance income and expense

Finance income consists of interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognized, in the consolidated profit or loss statement, as it accrues using the effective interest method. Dividend income is recognized in the consolidated profit or loss statement on the date that the Company’s right to receive payment is established. The associated cash flows are classified as investing activities in the statement of cash flows. Finance expenses consist of interest expense on loans and borrowings.

Borrowing costs are recognized in the consolidated profit or loss statement using the effective interest method. The associated cash flows are classified as financing activities in the statement of cash flows.

Foreign currency gains and losses are reported on a net basis within finance income and expense. These primarily include: exchange differences arising on settlement or translation of monetary items; changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied; and the ineffective portion of cash flow hedges.

3. Significant accounting policies (continued)

k. Recent accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company

IFRS 9, Financial instruments

In July 2014, the IASB issued the final version of IFRS 9, “Financial instruments”. IFRS 9 significantly differs from IAS 39, “Financial Instruments: Recognition and Measurement”, and includes a logical model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company believes that the new Standard will materially impact the classification and measurement of the Company’s financial instruments, documentation relating to hedging financial exposures and recognition of certain fair value changes.

IFRS 15, Revenue from Contracts with Customers.

In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers”. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.
The new revenue recognition standard was issued with an effective date of January 1, 2017. However, in April 2015, the IASB voted to defer the effective date of the new revenue recognition standard to January 1, 2018. Early application of the new standard is permitted. The Company is in the process of evaluating the impact of the new standard on its financial statements.

IFRS 16, Leases

In January 2016, the IASB issued a new standard, IFRS 16, “Leases”. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, “Leases”, and related interpretations and is effective for periods beginning on or after January 1, 2019. Earlier adoption of IFRS 16 is permitted if IFRS 15, “Revenue from Contracts with Customers”, has also been applied.

The Company is currently in the process of evaluating the impact of this new accounting standard on its financial statements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC Interpretation 22, “Foreign Currency Transactions and Advance Consideration,” which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. IFRIC Interpretation 22 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently in the process of evaluating the impact of this change in the accounting standard on its financial statements.

3. Significant accounting policies (continued)

k. Recent accounting pronouncements (continued)

IFRIC 23, Uncertainty over Income Tax treatments

On June 7, 2017, the IFRS Interpretations Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 “Income taxes”, are applied where there is uncertainty over income tax treatments.

IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

4. Determination of fair values

The Company’s accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

Property, plant and equipment acquired in a business combination or through an exchange of non-monetary assets is measured at fair value on the acquisition date. For this purpose, fair value is based on appraised market values and replacement cost.

(ii) Intangible assets

The fair value of trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of these brands, patents or trademarks being owned (“relief of royalty method”). The fair value of customer related, technology related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method after deduction of a fair return on other assets that are part of creating the related cash flows.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company’s borrowings that have floating rates of interest, their fair value approximates carrying value.

(v) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes-Merton valuation mode. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

5. Property plant and equipment: The following is a summary of the change in carrying value of property, plant and equipment

Particulars	Land	Buildings	Plant & Machinery	Furniture & Fixtures	Office Equipment	Total
Gross Carrying value						
Balance as at April 1, 2015	1,250,000	9,985,176	5,728,155	61,000	621,858	17,646,189
Additions	-	70,813	-	-	-	70,813
Disposals	-	29,624	4,400	-	17,800	51,824
Balance as at March 31, 2016	**1,250,000**	**10,026,365**	**5,723,755**	**61,000**	**604,058**	**17,665,178**
Balance as at April 1, 2016	1,250,000	10,026,365	5,723,755	61,000	604,058	17,665,178
Additions	-	-	112,272	-	356,246	468,518
Disposals	-	-	82,550	-	-	82,550
Balance as at March 31, 2017	**1,250,000**	**10,026,365**	**5,753,477**	**61,000**	**960,304**	**18,051,146**
Accumulated depreciation						
Balance as at April 1, 2015	-	2,031,476	2,535,670	61,000	582,484	5,210,630
Depreciation for the year	-	545,210	537,812	-	17,194	1,100,216
Disposals	-	6,297	4,400	-	17,800	28,497
Balance as at March 31, 2016	**-**	**2,570,389**	**3,069,082**	**61,000**	**581,878**	**6,282,349**
Balance as at April 1, 2016	-	2,570,389	3,069,082	61,000	581,878	6,282,349
Depreciation for the year	-	547,439	516,122	-	56,847	1,120,408
Disposals	-	-	68,867	-	-	68,867
Impairment	585,560	3,236,289	1,047,985	-	150,644	5,020,478
Balance as at March 31, 2017	**585,560**	**6,354,117**	**4,564,322**	**61,000**	**789,369**	**12,354,368**
Net Carrying value						
As at April 01, 2015	**1,250,000**	**7,953,700**	**3,192,485**	**-**	**39,373**	**12,435,558**
Add:-Capital Work in Progress	-	-	-	-	-	**377,144**
Total at April 01, 2015	-	-	-	-	-	**12,812,702**
As at March 31, 2016	**1,250,000**	**7,455,977**	**2,654,674**	**-**	**22,180**	**11,382,831**
Add:-Capital Work in Progress	-	-	-	-	-	**276,126**
Total at March 31, 2016						**11,658,957**
As at March 31, 2017	**664,440**	**3,672,249**	**1,189,158**	**-**	**170,935**	**5,696,782**
Add:-Capital Work in Progress	-	-	-	-	-	**78,890**
Total at March 31, 2017						**5,775,672**

5. Property plant and equipment (continued)

Capital Commitment

As of March 31, 2017 and 2016 the company had capital commitments of USD 313,576 and USD 137,246 under agreements for purchase property plant and equipment. The amount is net of capital advances paid in respect of such agreements.

Impairment of assets:-

Consequent to the significant decline in the expected cash flows of some of the products, the Company, following the guidance available under IAS 36 "Impairment of assets", estimated the recoverable amount of various items of Property, plant and equipment and assessed that the recoverable amount of such items of Property, plant and equipment is lower than their carrying cost. Accordingly, an amount of USD 5,090,000 (including USD 69,522 towards capital-work-in-progress) was recorded as impairment during the year ended March 31, 2017. The said impairment charge was recorded under "cost of revenues".

The recoverable amounts of the above cash generating units have been assessed using a value-in-use model. Key assumptions upon which the Company has based its determinations of value-in-use include:

a) Estimated cash flows for the remaining useful life, based on management's budgets.

b) The terminal value is considered to be zero.

c) The post-tax discount rates used are based on the Company's weighted average cost of capital. The post-tax discount rates used was 6.68%. The pre –tax discount rate was 9.02%.

6. Other intangible assets

The following is a summary of changes in carrying value of other intangible assets:

Particulars	**Product related intangibles**	**Other intangibles**	**Total**
Gross carrying value			
Balance as at April 1, 2015	7,200,000	270,919	7,470,920
Additions	-	-	-
Deletions	-	-	-
Balance as at March 31, 2016	**7,200,000**	**270,919**	**7,470,920**
Balance as at April 1, 2016	7,200,000	270,919	7,470,920
Additions	-	-	-
Deletions	-	-	-
Balance as at March 31, 2017	**7,200,000**	**270,919**	**7,470,920**
Amortisation/Impairment Loss			
Balance as at April 1, 2015	5,767,890	231,085	5,998,976
Amortisation during the year	1,432,110	39,834	1,471,944
Deletions	-	-	-
Balance as at March 31, 2016	**7,200,000**	**270,919**	**7,470,920**
Balance as at April 1, 2016	7,200,000	270,919	7,470,920
Amortisation during the year	-	-	-
Deletions	-	-	-
Balance as at March 31, 2017	**7,200,000**	**270,919**	**7,470,920**
Net carrying amount			
As at March 31, 2015	**1,432,110**	**39,834**	**1,471,944**
As at March 31, 2016	**-**	**-**	**-**
As at March 31, 2017	**-**	**-**	**-**

7. Inventories

Inventories consist of the following:

	As of	
	March 31, 2017	**March 31, 2016**
Raw materials	348,808	390,362
Packing materials, stores and spares	86,895	123,748
Work-in-progress	181,508	41,921
Finished goods	56,592	224,984
	673,803	**781,015**

During the years ended March 31, 2017 and 2016, the Company recorded inventory write-downs of USD 2,918,639 and USD 415,970 respectively. These adjustments are included as part of cost of revenues in the income statement.

Cost of revenues for the years ended March 31, 2017 and 2016 includes raw materials, consumables and changes in finished goods and work in progress recognized in the income statement USD 1,241,313 and USD 4,380,999 respectively. Cost of revenues for the years ended March 31, 2017 and 2016, includes other expenditures recognized in the income statement of USD 13,772,993 and USD 8,012,525 respectively.

8. Other assets

Other assets consist of the following:

	As of	
	March 31, 2017	**March 31, 2016**
Current		
Due from related parties (Note 15)	7,390,280	6,545,748
Prepaid expenses	134,622	181,057
Others	-	2,405
	7,524,902	**6,729,210**
Non-current		
Deposits and other assets – non current	1,975	1,975
	1,975	**1,975**

9. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of	
	March 31, 2017	**March 31, 2016**
Current		
Cash balances	-	-
Balances with banks	60,662	90,161
Cash and cash equivalents on the statements of financial position	**60,662**	**90,161**
Cash and cash equivalents in the statement of cash flow	**60,662**	**90,161**

10. Share Capital

	As of	
	March 31, 2017	March 31, 2016
Fully paid up capital		
As at April 01	25,000,000	25,000,000
Add: Additional paid up share capital	-	-
As at March 31	**25,000,000**	**25,000,000**

11. Trade and other payables

Trade and other payables consist of the following:

	As of	
	March 31, 2017	March 31, 2016
Due to related parties (Note 15)	2,862	-
Other trade payables	9,617	419,777
Capital creditors	6,526	4,275
Creditors for expenses	37,406	47,449
	56,411	**471,501**

12. Other liabilities

Other liabilities consist of the following:

	As of	
	March 31, 2017	March 31, 2016
Current liabilities		
Accrued expenses	1,410,551	1,050,174
Due to related parties (Note 15)	400,000	300,000
Others	5,173	17,652
	1,815,724	**1,367,826**

13. Other (income)/expense, net

Other expense/ (income), net consist of the following:

	For the Period ended	
	March 31, 2017	March 31, 2016
Loss on sale of property, plant and equipment, net	13,683	23,327
Others	112	(909)
	13,795	**22,418**

14. Revenue

Revenue consists of the following:

	For the year ended	
	March 31, 2017	March 31, 2016
Sales (Note 15)	2,065,618	2,269,034
Service income (Note 15)	2,130,677	4,397,343
	4,196,295	**6,666,377**

15. Related parties

The Company has entered into transactions with the following related parties:

(a) Dr. Reddy's Laboratories Limited ("Ultimate Parent Company")

(b) Dr. Reddy's Laboratories Inc. ("Parent Company")

(c) Dr. Reddy's Laboratories Louisiana LLC ("Company under common control")

(d) Promius Pharma LLC ("Company under common control")

The following is a summary of significant related party transactions:

Particulars	For the year ended	
	March 31, 2017	**March 31, 2016**
Sales to:		
Dr. Reddy's Laboratories Inc.	2,065,618	2,269,034
Total	**2,065,618**	**2,269,034**
Loan from:		
Dr. Reddy's Laboratories Inc	6,233,094	25,209,887
Total	**6,233,094**	**25,209,887**
Services to :		
Dr. Reddy's Laboratories Inc.-profit/(loss) share	2,130,677	4,397,343
Total	**2,130,677**	**4,397,343**

The Company has the following amounts due from related parties (included in other current assets):

Particulars	As of	
	March 31, 2017	**March 31, 2016**
Dr. Reddy's Laboratories Inc.	7,390,280	6,545,748
Total	**7,390,280**	**6,545,748**

The Company has the following amounts due to related parties: (included in Current Liabilities):

Particulars	As of	
	March 31, 2017	**March 31, 2016**
Dr. Reddy's Laboratories Inc.(refer Note a)	31,442,981	25,209,887
Dr. Reddy's Laboratories Louisiana LLC	-	300,000
Promius Pharma LLC	400,000	-
Dr. Reddy's Laboratories Limited	2,862	-
Total	**31,845,843**	**25,509,887**

Note

a. Represents loans and borrowings received from group companies. Refer to Note 2(c) for details. These borrowings are repayable on demand and hence presented as current liability in the financial statements

16. Income taxes

a. Income tax (expense)/benefit recognized in the income statement

Income tax (expense)/benefit recognized in the income statement consist of the following:

Particulars	Years ended March 31	
	2017	**2016**
Current taxes (expense)/benefit	906,532	6,483,749
Deferred taxes (expense)/benefit	4,507,017	(3,814,033)
Total income tax (expense)/benefit in income statement	**5,413,549**	**2,669,716**

16. Income taxes (continued)

b. Income tax (expense)/benefit recognized directly in equity

There were no income tax expenses / benefits recognized directly in equity for the year ended March 31, 2017 and 2016.

c. Reconciliation of effective tax rate

Particulars	**For the year ended March 31,**	
	2017	**2016**
Loss before income taxes	(12,421,538)	(9,369,566)
Enacted tax rate	37.37%	37.50%
Computed expected tax benefit/(expense)	**4,641,680**	**3,513,710**
Effect on account of tax allocation from the consolidated tax benefit/ (expense) of Parent Company viz., Dr. Reddy's Laboratories Inc., based on parent-down approach	771,869	(843,994)
Income tax benefit/ (expense)	**5,413,549**	**2,669,716**

The significant reconciling item from the expected tax benefit/ (expense) to the actual tax benefit/ (expense), at the parent company's consolidation level, includes the following:

	Years ended March 31	
	2017	**2016**
Expenses not deductible for tax purposes	(484,188)	(364,784)
Research and development tax credit	506,696	1,115,234
Qualified domestic production activities deduction	-	575,239
Others	1,448,352	651,371
	1,470,860	**1,977,060**

(1) Expenses not deductible for tax expenses include expenses which are disallowed as deduction from taxable profit as per the tax laws prevailing.

(2) There are certain income-tax related legal proceedings that are pending against the Company. Potential liabilities, if any, have been adequately provided for, and the Company does not currently estimate any material incremental tax liability in respect of these matters.

d. Unrecognized deferred tax assets and liabilities

During the financial year ending March 31, 2017 and 2016, the Company does not have any unrecognized deferred tax assets.

16. Income taxes (continued)

e. Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

	2017	2016
Deferred tax assets/(liabilities):		
Property plant and equipment	31,350	(840,680)
Operating loss carry forward	6,085,632	-
Accounts receivable	126,315	(2,020,795)
R&D credit	234,238	-
Other current assets	138,664	288,128
Stock based compensation/ equity	108,899	157,269
Intangibles	10,268	(168,189)
Other current liabilities	(2,228,349)	(1,229,766)
Net deferred tax asset/(liabilities)	**4,507,017**	**(3,814,033)**

In assessing the realizability of the deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences and tax loss carry forwards. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced. Periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences and tax loss carry forwards. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

f. Movement in temporary differences during the years ended March 31, 2017 and 2016:

Details of movement in deferred tax assets and liabilities are summarised below

	As at March 31, 2016	Movement	As at March 31, 2017
Deferred tax assets/(liabilities)			
Property , plant and equipment and intangibles	(1,098,897)	41,618	(1,057,279)
Accounts receivable	(2,020,795)	126,315	(1,894,480)
Stock based compensation	154,757	108,899	263,656
Other current assets	315,817	138,664	454,481
R&D credit	-	234,238	234,238
Other current liabilities	(1,113,706)	(2,228,349)	(3,342,055)
Operating losses carried forward	-	6,085,632	6,085,632
Net deferred tax assets/(liabilities)	**(3,762,824)**	**4,507,017**	**744,193**

16. Income taxes (continued)

f. Movement in temporary differences during the years ended March 31, 2017 and 2016 (continued) :

	As at March 31, 2015	Movement	As at March 31, 2016
Deferred tax assets/(liabilities)			
Property , plant and equipment and intangibles	(90,028)	(1,008,869)	(1,098,897)
Accounts receivable	-	(2,020,795)	(2,020,795)
Stock based compensation	(2,512)	157,269	154,757
Other current assets	27,689	288,128	315,817
Other current liabilities	116,060	(1,229,766)	(1,113,706)
Net deferred tax assets/(liabilities)	**51,209**	**(3,814,033)**	**(3,762,824)**

17. Financial Instruments

Financial Instruments by category

The carrying value and fair value of the financial instruments by each category as at March 31, 2017 were as follows:

Particulars	Note	Loans and Receivables	Trade and other payables	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents	9	60,662		60,662	60,662
Other assets*	8	7,390,280	-	7,390,280	7,390,280
Total		**7,450,942**	**-**	**7,450,942**	**7,450,942**
Liabilities:					
Trade and other payables	11	-	56,411	56,411	56,411
Loans and borrowings	15		31,442,981	31,442,981	31,442,981
Other liabilities and provisions	12	-	1,815,724	1,815,724	1,815,724
Total		**-**	**33,315,116**	**33,315,116**	**33,315,116**

The carrying value and fair value of the financial instruments by each category as at March 31, 2016 were as follows:

Particulars	Note	Loans and receivables	Trade and other payables	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents	9	90,161	-	90,161	90,161
Other assets*	8	6,548,153	-	6,548,153	6,548,153
Total		**6,638,314**	**-**	**6,638,314**	**6,638,314**
Liabilities:					
Trade and other payables	11	-	4,71,501	4,71,501	4,71,501
Loans and borrowings	15	-	25,209,887	25,209,887	25,209,887
Other liabilities and provisions	12	-	1,367,826	1,367,826	1,367,826
Total		**-**	**27,049,214**	**27,049,214**	**27,049,214**

***** Other assets that are not financial assets (such as prepaid expenses, advances paid and certain other receivables) of USD 134,622 and USD 181,057 as of March 31, 2017 and 2016, respectively, are not included.

17. Financial Instruments (continued)

Fair value hierarchy

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 — Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

18. Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors is responsible for overseeing Company's risk assessment and management policies and processes.

a. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country, in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

Financial assets that are neither past due nor impaired

None of the Company's cash equivalents, including time deposits with banks, were past due or impaired as at March 31, 2017 and 2016 respectively.

Financial assets that are past due but not impaired

The Company does not have any trade receivables as on the reporting date.

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by raising additional funds from parent company or from group companies to meet the financial obligations.

As of March 31, 2017 and 2016 the Company had working capital deficit of USD 25,055,749 and USD 19,448,828.

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2017:

Particulars	2018	2019	2020	2021	Thereafter	Total
Trade and other payables	56,411	-	-	-	-	56,411
Loans and borrowings	31,442,981					31,442,981
Other liabilities and provisions	1,815,724	-	-	-	-	1,815,724
Total	**33,315,116**	-	-	-	-	**33,315,116**

18. Financial risk management (continued)

b. Liquidity risk (continued)

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2016:

Particulars	2017	2018	2019	2020	Thereafter	Total
Trade and other payables	471,501	-	-	-	-	471,501
Loans and borrowings	25,209,887					25,209,887
Other liabilities and provisions	1,367,826	-	-	-	-	1,367,826
Total	**27,049,214**	**-**	**-**	**-**	**-**	**27,049,214**

c. Market risk

Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates and other market changes that affect market risk-sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and short term/or long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Foreign exchange risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses. A significant portion of the Company's revenues are in reporting currency, USD. As a result, the Company is not exposed to significant foreign currency risk.

Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of active pharmaceutical ingredients, including the raw material components for such active pharmaceutical ingredients. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in the Company's active pharmaceutical ingredients business are generally more volatile. Cost of raw materials forms the largest portion of the Company's operating expenses. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. The Company has historically not entered into any derivative financial instruments or futures contracts to hedge exposure to fluctuations in commodity prices.

19. Nature of expense

The following table shows the expenses by nature:

Particulars	For the year ended March 31, 2017			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	4,416,749	360,500	-	4,777,249
Depreciation and amortization	1,120,408	-	-	1,120,408
	5,537,157	**360,500**	**-**	**5,897,657**

Particulars	For the year ended March 31, 2016			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	4,004,860	833,685	-	4,838,546
Depreciation and amortization	1,100,216	1,471,944	-	2,572,160
	5,105,076	**2,305,629**	**-**	**7,410,706**

20. Employee benefits

The Company's employees participate in Dr. Reddy's Laboratories, 401 (k) defined contribution retirement plan. The Company's contribution is discretionary and is determined by its Board of Directors on an annual basis. The contribution made by the Company for the year ended March 31, 2017 and 2016 was USD 213,907 and USD 276,619 respectively.

21. Effect of transition to IFRS on Company's Equity and Profit

Reconciliation between financial results as previously reported under Previous GAAP and IFRS for year ended March 31, 2016 :

Particulars	Year ended March 31, 2016
Net loss under previous GAAP	(9,175,711)
Less:	
Income tax benefit recognised for the year ended March 31, 2016	2,669,716
Share based payment expense	(27,012)
Reversal of goodwill amortised under Previous GAAP	(166,843)
Net loss under IFRS	**(6,699,850)**

Reconciliation of equity as on March 31, 2016 as previously reported under Previous GAAP to IFRS:

Particulars	As on March 31, 2016
Equity reported under Previous GAAP as on March 31, 2016	(16,019,960)
Adjustments:	
Recognition of current and deferred taxes	2,720,925
Recognition of Property, plant and equipment	1,725,185
Others	23,130
Equity reported under IFRS as on March 31, 2016	**(11,550,720)**

Independent Auditors’ Report

To the Members of **Dr. Reddy's New Zealand Limited**

We have audited the accompanying financial statements of **Dr. Reddy's New Zealand Limited**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company’s Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor’s Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	52	103	158
Other non current assets	2.2	1,820	2,265	1,888
Total non current assets		**1,872**	**2,368**	**2,046**
Current assets				
Inventories	2.3	15,408	19,845	4,319
Financial assets				
Trade receivables	2.4	12,738	16,111	28,175
Cash and cash equivalents	2.5	40,372	38,682	27,069
Loans	2.6	906	919	958
Other current assets	2.7	363	94	-
Total current assets		**69,787**	**75,651**	**60,521**
Total assets		**71,659**	**78,019**	**62,567**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.8	328	328	328
Other equity				
Retained earnings		(53,060)	(58,441)	(72,448)
Share premium		105,028	105,028	105,028
Total equity		**52,296**	**46,915**	**32,908**
Current liabilities				
Financial Liabilities				
Trade payables	2.9	13,888	22,097	28,318
Other current financial liabilities	2.10	5,263	8,045	1,070
Other current liabilities	2.11	212	962	271
Total Liabilities		**19,363**	**31,104**	**29,659**
Total equity and liabilities		**71,659**	**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 and on behalf of the Board of Directors of **Dr. Reddy's New Zealand Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

M V Narasimham
Director

Abhijit Mukherjee
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Revenue from operations	2.12	90,942	76,985
Other Income	2.13	450	293
Total Income		**91,392**	**77,278**
Expenses			
Cost of raw material and components consumed		51,496	22,286
Employee benefits expense	2.14	10,891	12,384
Depreciation and amortisation expense	2.15	74	54
Other expenses	2.16	23,550	28,524
Total expense		**86,011**	**63,248**
(Loss)/Profit before tax		**5,381**	**14,030**
Income tax expense	2.17	-	23
Loss for the year		**5,381**	**14,007**
Earnings per share			
Basic - Par value NZD 1 per share		538.10	1,400.70
Diluted - Par value NZD 1 per share		538.10	1,400.70
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's New Zealand Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

M V Narasimham
Director

Abhijit Mukherjee
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
Profit before taxation	5,381	14,030
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	74	54
Interest Income	(450)	(293)
Net foreign exchange differences	906	1,270
Operating cash flows before working capital changes	**5,911**	**15,061**
Working capital adjustments:		
Trade and other receivables	3,299	9,885
Inventories	4,437	(15,526)
Trade and other payables	(8,288)	(5,470)
Other assets & liabilities,net	(3,424)	7,332
	1,935	**11,282**
Income tax paid	-	(400)
Net cash flows from operating activities	**1,935**	**10,882**
Net cash flows used in investing activities		
Purchase of tangible and intangible assets	(23)	(0)
Interest received	450	293
	427	**293**
Net cash flows from/ (used in) financing activities	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	2,362	11,174
Cash and cash equivalents at the beginning of the year	38,682	27,069
Effect of foreign exchange loss on cash and cash equivalents	(672)	438
Cash and cash equivalents at the end of the year	**40,372**	**38,682**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	40,372	38,682
Cash and bank balances at the end of the year	**40,372**	**38,682**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's New Zealand Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

M V Narasimham
Director

Abhijit Mukherjee
Director

Place: Hyderabad
Date: 9 May 2017

Dr. Reddy's New Zealand Limited

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus		Total Equity
	Shares	Amount	Retained Earnings	Share Premium	
Balance as of 1 April 2015	**10,000**	**328**	**(72,448)**	**105,028**	**32,908**
Shares issued during the year	-	-	-	-	-
Profit for the period	-	-	14,007	-	14,007
Balance as of 31 March 2016	**10,000**	**328**	**(58,441)**	**105,028**	**46,915**
Profit for the period	-	-	5,381	-	5,381
Balance as of 31 March 2017	**10,000**	**328**	**(53,060)**	**105,028**	**52,296**

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's New Zealand Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

M V Narasimham
Director

Abhijit Mukherjee
Director

Place: Hyderabad
Date: 9 May 2017

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Intangible Assets

Intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate.Intangible assets relating to products in development, intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognised immediately in the statement of profit and loss.

Amortisation:

Amortisation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset’s future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortised from the date they are available for use.

De-recognition of intangible assets

Intangible assets are de-recognised either on their disposal or where no future economic benefits are expected from their use. Losses arising on such de-recognition are recorded in the statement of profit and loss, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of de-recognition.

Dr. Reddy's New Zealand Limited
Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern
The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions
a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Purchases and services from holding company or other group companies:		
Dr. Reddy's Laboratories Limited	31,066	14,656
Dr. Reddy's Laboratories (Australia) Pty Limited	1,186	-
Sales and services rendered to holding company or other group companies:		
Dr. Reddy's Laboratories (Australia) Pty Limited	-	22,302

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

Particulars	As at 31 March 2017	As at 31 March 2016
Due to holding company and other group companies(included in trade payables):		
Dr. Reddy's Laboratories Limited	8,420	15,544
Dr. Reddy's Laboratories (Australia) Pty Limited	-	2,403

1.3 Provisions, Contingent Liabilities and Contingent Assets
Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.4 Principle Adjustments made with impact of Ind AS adoption
Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.5 The company, incorporated in New Zealand, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

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

Note 2: Notes to financial statements (continued)

2.5 : Property, plant and equipment

Description	Gross Block				Depreciation / Amortization				Net Block	
	As at 01.04.2016	Additions	Disposals	As at 31.03.2017	As at 01.04.2016	For the year	Disposals	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Furniture and fixtures	731	24	-	755	628	74	-	702	52	103
Total tangible assets (A)	**731**	**24**	**-**	**755**	**628**	**74**	**-**	**702**	**52**	**103**
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**	**24**	**105,013**	**755**	**105,641**	**74**	**105,013**	**702**	**52**	**103**

* The Company derecognized the intangible assets which were fully amortized and from which no future economic benefits were expected, either from use or from their disposal.

Description	Gross Block				Depreciation / Amortization				Net Block	
	As at 01.04.2015	Additions	Disposals	As at 31.03.2016	As at 01.04.2015	For the year	Disposals	As at 31.03.2016	As at 31.03.2016	As at 01.04.2015
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**

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

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Other non current assets			
Advance income taxes	1,820	2,265	1,888
	1,820	**2,265**	**1,888**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Inventories			
Stock-in-trade (goods acquired for trading)	15,408	19,845	4,319
	15,408	**19,845**	**4,319**

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Trade receivables			
(Unsecured,considered good)			
Receivable from Others	12,738	16,111	28,175
	12,738	**16,111**	**28,175**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.5 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	40,353	38,663	27,049
Cash on hand	19	19	20
	40,372	**38,682**	**27,069**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.6 : Loans and Advances			
Other advances	906	919	958
	906	**919**	**958**

Other Assets

2.7 : Other Assets			
Advances to employees	23	23	-
Prepaid expenses	340	71	-
	363	**94**	**-**

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

2.8 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
10,000 (31 March 2016 : 10,000; 1 April 2015 : 10,000) shares of NZD 1 each	328	328	328
Issued equity capital			
10,000 (31 March 2016 : 10,000; 1 April 2015 : 10,000) shares of NZD 1 each	328	328	328
Subscribed and fully paid-up			
10,000 (31 March 2016 : 10,000; 1 April 2015 : 10,000) shares of NZD 1 each	328	328	328
	328	**328**	**328**

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

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
Number of shares outstanding at the beginning of the year	10,000	328	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**	**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 2017		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares	No.of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	10,000	100%	10,000	100%	10,000	100%

Financial Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.9 : Trade Payables			
Payables to holding company and other group companies	8,420	17,947	22,182
Payables to others	5,468	4,150	6,136
	13,888	**22,097**	**28,318**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.10 : Other financial liabilities			
Accrued expenses	5,244	4,029	1,070
Other current liabilities	19	4,016	-
	5,263	**8,045**	**1,070**

Other Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.11 : Other Current Liabilities			
Due to statutory authorities	212	962	271
	212	**962**	**271**

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

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.12 : Revenue from operations		
Sales (including excise duty)	90,942	76,985
	90,942	**76,985**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.13 : Other income		
Interest income		
On fixed deposits	450	293
	450	**293**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.14 : Employee benefits expense		
Salaries, wages and bonus	10,511	12,322
Contribution to provident and other funds	380	62
	10,891	**12,384**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.15 : Depreciation and amortisation expense		
Depreciation of property, plant and equipment	74	54
	74	**54**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.16 : Other expenses		
Legal and professional	3,651	5,154
Selling expenses	1,986	17,385
Travelling and conveyance	13,463	2,074
Foreign exchange loss, net	992	396
Other general expenses	3,458	3,515
	23,550	**28,524**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.17 : Tax expense		
Deferred tax expense	-	23
	-	**23**

DR. REDDY'S PHARMA SEZ LIMITED
Regd. Office : 7-1-27, Ameerpet, Hyderabad - 500 016.
CIN : U24233TG2009PLC064271
Tel : +91 40 4904 8400 Fax : +91 40 4904 8800

Board's Report

Dear Members,

Your Directors present the 8th Board's Report of the Company for the year ended 31 March 2017

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2016-17 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2017	31 March 2016
Profit/(Loss) for the period after taxation	(12)	(11)
Balance brought forward	(522)	(511)
Balance carried forward to Balance Sheet	(534)	(522)

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 2017.

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: 10 May 2016, 25 July 2017, 21 October 2016 and 2 February 2017.

Board of Directors

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

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 2016-17 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 8th 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 2017-18 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

Date: May 10, 2017
Place: Hyderabad

Saumen Chakraborty
Director

Venkata Narasimham Mannam
Director

ANNEXURE I

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2017
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

Sl. No.	Particulars	Details
i)	CIN	U24233TG2009PLC064271
ii)	Registration Date	July 8, 2009
iii)	Name of the Company	Dr. Reddy's Pharma SEZ Limited
iv)	Category/Sub-Category of the Company	Public Company / Limited by Shares
v)	Address of the Registered office and contact details	7-1-27, Ameerpet, Hyderabad, Telangana-500016
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS 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	50,000	50,000	100	0	50,000	50,000	100	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	0	50,000	50,000	100	0	50,000	50,000	100	0
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	0	0	0	0	0	0	0	0	0

Total shareholding of Promoter (A)=(A)(1)+(A)(2)	0	50,000	50,000	100	0	50,000	50,000	100	0
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
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):	No Change			
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)	01.04.2016	1	0	0		1	0
		31.03.2017	1	0	0		1	0
2	Mr. Venkata Narasimham Mannam (Director)	01.04.2016	1	0	0		1	0
		31.03.2017	1	0	0		1	0
3	Dr. S Chandrasekhar (Director)	01.04.2016	0	0			0	0
		21.10.2016			1	Transfer from Nominee Shareholder, Mr. Umang Vohra.	1	1
		31.03.2017	1	1			1	1
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.

For and on behalf of the Board of Directors

Date: May 10, 2017
Place: Hyderabad

Saumen Chakraborty
Director

Venkata Narasimham Mannam
Director

A. Ramachandra Rao & Co.
Chartered Accountants

1st Floor, 3-6-369/A/11,
Street No 1, Himayat Nagar,
Hyderabad-500 029.

Tel. : 27633677
Fax : 27639746
E-mail : arrandco@gmail.com

To
Members
Dr Reddy's Pharma SEZ Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **Dr Reddy's Pharma SEZ Limited, which** comprise the Balance Sheet as at 31[st] March 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone 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 the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

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 andprudent; 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 standalone Ind AS 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 standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, theaccounting 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 of the standalone Ind AS financial statements 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 standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS 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 standalone Ind AS 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 the accounting policies used and the reasonableness of the

Ramachandra Rao & Co. HYDERABAD Chartered Accountants

accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS 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 standalone Ind AS financial statements.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note No. 1.1 which explain the circumstances that lead to accumulated losses and the circumstances that are mitigating the same and the reasons based on which the accounts have been prepared on Going Concern Basis. Notwithstanding the fact that the company has incurred cash losses during the current year as well as during the previous year the financial statements of the Company have been prepared on Going Concern Basis

Our Opinion is not modified in respect of this matter

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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 including the Ind AS, of the financial position of the Company as at 31st March, 2017, and its financial performance including other comprehensive income, its cash flows and the changes in equity 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") issued by the Central Government interms of Section 143(11) of the Act, we give in "Annexure A"a statement on the matters specified in paragraphs 3 and 4of the Order.

2. As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the informationand explanations which to the best of our knowledgeand belief were necessary for the purposes of ouraudit.

b) In our opinion, proper books of account as requiredby law have been kept by the Company so far as itappears from our examination of those books

c) The Balance Sheet, the Statement of Profit andLoss, the Cash Flow Statement and Statement ofChanges in Equity dealt with by this Report are inagreement with the books of account

d) In our opinion, the aforesaid standalone Ind ASfinancial statements comply with the IndianAccounting Standards prescribed under section 133of the Act.

e)On the basis of the written representations receivedfrom the directors as on 31st March 2017 taken onrecord by the Board of Directors, none of thedirectors is disqualified as on 31st March 2017 frombeing appointed as a director in terms of Section164(2) of the Act.

f) With respect to the adequacy of the internal financialcontrols over financial reporting of the Company andthe operating effectiveness of such controls, refer toour separate Report in "Annexure B".

g) With respect to the other matters to be included inthe Auditor's Report in accordance with Rule 11 ofthe Companies (Audit and Auditors) Rules, 2014, inour opinion and to the best of our information andaccording to the explanations given to us:

A. Ramachandra Rao & Co. HYDERABAD Chartered Accountants

A. Ramachandra Rao & Co.
Chartered Accountants

i. TheCompany does not have any pending litigationswhich would impact its financial position

ii. The Company did not have anylong-term contracts including derivativecontracts for which there were any materialforeseeable losses.

iii. There has been no delay in transferringamounts, required to be transferred, to theInvestor Education and Protection Fund.

iv. The Company has made requisite disclosures in its financial statements as it holdings as well as dealings in Specified Bank Notes during the period 08th November 2016 to 30th December 2016 and such disclosures are in accordance with the books of Accounts maintained by the Company.

For M/s A Ramachandra Rao & Co
Chartered Accountants
Firm Regn No. ICAI 002857S

P S R V V Surya Rao
Partner
Membership No. 202367

Hyderabad
Date:10.05.2017

ANNEXURE TO THE AUDITORS' REPORT
(Dr Reddy's Pharma SEZ Limited)
(Of even date referred to in Para 1 of our Report)

(i) The Company does not have any fixed assets and hence clause 3(i) of the order is not applicable to the Company for the period under audit.

(ii) As explained and information given to us, the company does not have any inventory and hence para 3(ii) of the Order is not applicable to the Company for the period under audit.

(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) 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 not acquired any security during the year and hence, in our opinion, the clause 3(iv) 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) Based on the explanations given to us, the Company is not required to maintain cost Records under Section 148 of the Companies Act, 2013 and hence the clause 3(vi) of the order is not applicable to the Company for the period under audit.

(vii) (a) According to the records of the Company, the Company is regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities;

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Duty of Customs, Duty of Excise, Value added tax and other material statutory dues were in arrears as at 31 March 2017 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 of VAT, income tax, customs duty, excise duty, 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 / due to Debenture Holders and hence clause 3(viii) of the Order is not applicable to the Company for the period under audit.

(ix) According to the information and explanations given to us, the Company has not raised any monies by way of IPO / further public offer not has taken any term loans and hence clause 3(ix) of the Order is not applicable to the Company for the period under audit.

(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.

A. Ramachandra Rao & Co. Chartered Accountants HYDERABAD

(xi) In our opinion, the provisions of section 197 read with Schedule V to the Companies Act,2013 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 period under audit.

(xii) Based on the explanations given to us, in our opinion, the Company is not a Nidhi Company as per section 406 of the Companies Act,2013 and hence clause 3(xii) is not applicable to the Company.

(xiii) Based on the information provided and explanation given to us, in our opinion, 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 of shares during the year and during the year under review and hence, clause 3(xiv) 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 hence, clause 3(xv) 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 hence, clause (xvi) is not applicable to this Company.

Place : Hyderabad
Date: 10.05.2017

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI Firm Regn No. 002857S

P S R V V Surya Rao
Partner
Membership No.202367

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF 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 **Dr Reddy's Pharma SEZ Limited** , as of March 31, 2017, 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;

A. Ramachandra Rao & Co. Hyderabad ICAI FRN 002857S Chartered Accountants

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accountingprinciples, 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, 2017, 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.

Place : Hyderabad
Date: 10.05.2017

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI Firm Regn No. 002857S

P S R V V Surya Rao
Partner
Membership No.202367

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Current assets				
Total assets		-	-	-
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.1	500	500	500
Retained earnings		(534)	(522)	(511)
Total equity	2.2	**(34)**	**(22)**	**(11)**
Non current liabilities				
		-	-	-
Current liabilities				
Other current financial liabilities	2.3	34	22	11
Total Liabilities		**34**	**22**	**11**
Total equity and liabilities		-	-	-

Significant accounting policies & Notes to Accounts 1

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

A. Ramachandra Rao & Co. HYDERABAD ICAI FRN.002857S Chartered Accountants

P S RV V Surya Rao
Partner
ICAI Membership No. 202367

Place: Hyderabad
Date: 10 May 2017

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

Venkatanarasimham Mannam
Director

(MSK)

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 2017	For the year ended 31 March 2016
Continuing operations			
Total income		-	-
Expenses			
Other expenses	2.3	12	11
Total expense		**12**	**11**
Profit before tax		**(12)**	**(11)**
Income tax expense		-	-
Profit / (Loss) for the year		**(12)**	**(11)**
Other comprehensive income			
Total items that will not be reclassified to profit or loss		-	-
Total items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income/(Loss) for the year		**(12)**	**(11)**
Earnings per share:			
Basic - Par Value Rs. 10/- Share		(0.24)	(0.22)
Diluted - Par Value Rs. 10/- Share		(0.24)	(0.22)
Number of shares used in computing earnings per share		50,000	50,000
Basic		50,000	50,000
Diluted			

Significant accounting policies & Notes to Accounts 1

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

A. Ramachandra Rao & Co. Chartered Accountants HYDERABAD ICAI FRN:002837S

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

Place: Hyderabad
Date: 10 May 2017

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

Venkatanarasimham Mannam
Director

(MSK)

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 2017	For the year ended 31 March 2016
Operating activities		
Profit before tax from continuing operations	(12)	(11)
Profit/ (loss) before tax from discontinued operations		
Operating cash flows before working capital changes	**(12)**	**(11)**
Working capital adjustments:		
Increase in trade and other payables	12	11
	-	-
Income tax paid	-	-
Net cash flows from/(used in) operating activities	-	-
Net cash flows from/used in investing activities	-	-
Net cash flows from/ (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

A. Ramachandra Rao & Co. HYDERABAD ICAI FRN.002857S Chartered Accountants

Place: Hyderabad
Date: 10 May 2017

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

Venkatanarasimham Mannam
Director

Note 1 : Significant Accounting Policies & Notes to Accounts :

First Time Adoption of Ind AS:

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS).

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.11 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

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

Liabilities:

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

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

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

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other (income)/expense, net" in the consolidated income statement.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in the consolidated income statement as incurred.

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognized in the consolidated income statement on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognized only when receipt of such reimbursements is virtually certain. Such reimbursements are recognized as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.1 Going Concern
The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Segment Reporting
In terms of Ind AS 108 relating to "segment reporting", the company operates only in one segment and hence the requirements under the standard are not applicable to the company.

1.3 Related Party Transactions- Ind AS 24
The company has the following amounts due to related parties:

Name of Party	Nature of relationship	Nature of transaction	Closing Balance as on 31.03.2017	Closing Balance as on 31.03.2016
Dr. Reddy's Laboratories Limited	NIL			

Transaction with related party : Nil

1.4 Taxation - Ind AS 12

a. Current Year Taxation:
The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Minimum Alternate Taxation (MAT) :
The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

C. Deferred Tax:
The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.5 Earnings Per Share : Ind AS 33
The computation of Earnings Per Share is set out below:

Particulars	For the Year Ended 31st March 2017	For the Year Ended 31st March 2016
Earnings / (Loss) for the year	(12)	(11)
Weighted average number of equity shares		
outstanding during the year - Basic	50,000	50,000
outstanding during the year - Diluted	50,000	50,000
Earnings Per Share:		
Basic (face value of Rs.10/-)	(0.24)	(0.22)
Diluted (face value of Rs.10/-)	(0.24)	(0.22)

1.6 Details of dues to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Act, 2006
The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2017 has been made in the financial statements based on information received and available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the aforesaid Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act. The particulars required to be disclosed are Nil.

1.7 Impairment of Assets
In the opinion of the management, there is no impairment of its assets as on 31 March 2017 requiring recognition in terms of Ind AS 36 prescribed by The Chartered Accountants of India (ICAI).

1.8 Provision for employee benefits
Ind AS 19 is not applicable to the company during the year as there are no employees .

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.9 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities are stated in Note and the crystallization of these liabilities are dependent upon the outcome of court cases/arbitration/out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallize on the Company and may not have any material impact on the revenue.

1.10 Previous Period Figures

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

1.11 Principle Adjustments made with impact of IndAs adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.12 : Note on Specified Bank Notes (SBN) Transactions

Particulars	SBNs	Other denomination Notes	Total
Closing Cash in hand on 8.11.2016	-	-	-
(+) Permitted Receipts	-	-	-
(-) Permitted Payments	-	-	-
(-) Amounts deposited in Bank	-	-	-
Closing Cash in hand on 30.12.2016	-	-	-

Dr. Reddy's Pharma SEZ Limited

Statement of Changes in Equity

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

2.1. Equity Share Capital:	As at 31 March 2017	As at 31 March 2016	As at 01 April 2015
Equity shares of INR 10/- each issued	500	500	500
	500	500	500
Equity shares of INR 10/- each subscribed and fully paid-up	500	500	500

Dr. Reddy's Pharma SEZ Limited
Statement of Changes in Equity
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.2 Total equity

For the year ended 31 March, 2017

Particulars	Share Capital		Reserves and Surplus						Items of OCI			Total Equity
	Shares	Amount	Share Premium	Share based payment reserve	Capital Reserve	Capital Redemption reserve	General reserve	Retained Earnings	Hedge reserve	Fair value reserve	Actuarial gains / (losses)	
Balance as of 1 April 2015	50000	500	-	-	-	-	-	(511)	-	-		(11)
Issue of equity shares		-	-	-	-	-	-		-	-		-
Profit for the period								(11)				(11)
Balance as of 31 March 2016	50,000	500	-	-	-	-	-	(522)	-	-	-	(22)
Issue of equity shares		-	-	-	-	-	-		-	-		-
Profit for the period								(12)				(12)
Balance as of 31 March 2017	50,000	500	-	-	-	-	-	(534)	-	-	-	(34)

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

Note 2: Notes to the financial statements

2.1 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
1,000,000 (previous year : 1,000,000) equity shares of Rs. 10/- each	10,000	10,000	10,000
	-	-	-
	10,000	10,000	10,000
Issued equity capital			
50,000 (previous year : 50,000) equity shares of Rs.10/- each fully paid up	500	500	500
	-	-	-
	500	500	500
Subscribed and fully paid-up			
50,000 (previous year : 50,000) equity shares of Rs. 10/- each fully paid up	500	500	500
	-	-	-
Add: Forfeited share capital (e)	-	-	-
	500	**500**	**500**

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

Particulars	As at 31 March 2017		As at 31 March 2016		
	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) Reconciliation of the Preference shares outstanding is set out below:

Particulars	As at 31 March 2017		As at 31 March 2016		
	No. of equity shares	Amount	No. of equity shares		Amount
Number of shares outstanding at the beginning of the year	-	-	-		-
Shares issued during the year	-	-	-		-
Number of shares outstanding at the end of the year	-	-			-

(c) Terms / rights attached to the equity shares

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

(d) Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March 2017		As at 31 March 2016		
	No. of equity shares held	% holding in the class	No. of equity shares held		% holding in the class
Dr. Reddy's Laboratories Limtied (including shares held by nominees)	50,000	100.00	50,000		100.00

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

Note 2: Notes to financial statements (continued)

2.3 : Other financial liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Other current financial liabilities			
Accrued expenses	34	22	11
	34	22	11
Total other financial liabilities	34	22	11

2.4 : Other expenses

	For the year ended 31 March 2017	For the year ended 31 March 2016
Audit fees	12	11
	12	11

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R R V Surya Rao
Partner
ICAI Membership No. 202367

Place: Hyderabad
Date: 10 May 2017

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

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

Venkatanarasimham Mannam
Director

(MSK)

Independent Auditors' Report

To the Members of **Dr. Reddy's Singapore PTE. LTD**.

We have audited the accompanying financial statements of **Dr. Reddy's Singapore PTE. LTD.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Deferred tax assets (net)		1,539	1,633	-
Other Financial assets	2.1	93	99	-
		1,632	**1,732**	**-**
Current assets				
Financial assets				
Trade receivables	2.2	34,647	27,572	25,997
Cash and cash equivalents	2.3	5,339	9,917	14,370
Loans	2.4	-	602	91
Total current assets		**39,986**	**38,091**	**40,458**
Total assets		**41,618**	**39,823**	**40,458**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.5	24,869	24,869	24,869
Other equity				
Retained earnings		15,793	14,182	5,857
Total equity		**40,662**	**39,051**	**30,726**
Current liabilities				
Financial Liabilities				
Other current financial liabilities	2.6	638	475	9,732
Liabilities for current tax (net)		318	297	-
Total Liabilities		**956**	**772**	**9,732**
Total equity and liabilities		**41,618**	**39,823**	**40,458**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Singapore PTE. LTD.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Revenue from operations			
Service Income		35,354	27,835
Other Income		-	835
Total Income		**35,354**	**28,670**
Expenses			
Employee benefits expense	2.7	-	9,313
Other expenses	2.8	33,509	11,917
Total expense		**33,509**	**21,230**
Profit before tax		**1,845**	**7,440**
Income tax expense/(benefit)	2.9	234	(886)
Profit for the year		**1,611**	**8,326**
Earnings per share:			
Basic earnings per share of SGD 1 each		3.22	13.39
Diluted earnings per share of SGD 1 each		3.22	13.39
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Singapore PTE. LTD.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
Profit before taxation	1,845	7,440
Adjustments to reconcile profit before tax to net cash flows:		
Net foreign exchange differences	2,427	(2,673)
Operating cash flows before working capital changes	**4,272**	**4,767**
Working capital adjustments:		
Increase in other assets & liabilities,net	830	(10,141)
Decrease in trade and other receivables and prepayments	(9,065)	505
	(3,963)	**(4,869)**
Income tax paid	(213)	(546)
Net cash flows from operating activities	**(4,176)**	**(5,415)**
Net cash flows used in investing activities	-	-
Net cash flows from/ (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(4,176)	(5,415)
Cash and cash equivalents at the beginning of the year	9,917	14,370
Effect of foreign exchange gain/(loss) on cash and cash equivalents	(402)	962
Cash and cash equivalents at the end of the year	**5,339**	**9,917**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	5,339	9,917
Cash and bank balances at the end of the year	**5,339**	**9,917**

The accompanying notes are 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 of **Dr. Reddy's Singapore PTE. LTD.**

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2017

Satish Reddy
Director

Dr. Reddy’s Singapore PTE. LTD.

Statement of Changes in Equity

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

2.5 Total equity

Particulars	Share Capital		Reserves and Surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2015	**500,000**	**24,869**	**5,857**	**30,726**
Shares issued during the year	-	-	-	-
Profit for the period	-	-	8,326	8,326
Balance as of 31 March 2016	**500,000**	**24,869**	**14,182**	**39,052**
Profit for the period	-	-	1,611	1,611
Balance as of 31 March 2017	**500,000**	**24,869**	**15,793**	**40,663**

As per our report of even date attached

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

for and on behalf of the Board of Directors of **Dr. Reddy’s Singapore PTE. LTD.**

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2017

Satish Reddy
Director

Dr. Reddy's Singapore PTE. LTD.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.4 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Dr. Reddy’s Singapore PTE. LTD.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Sales and services rendered to holding company or other group companies:		
Dr. Reddy's Laboratories SA	35,354	27,835

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

Particulars	As at 31 March 2017	As at 31 March 2016
Due from holding company and other group companies(included in trade receivables):		
Dr. Reddy's Laboratories SA	34,647	27,572

1.3 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.4 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.5 The company, incorporated in Singapore, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

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

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.1 : Other financial assets			
Security Deposits	93	99	-
	93	**99**	**-**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Trade receivables			
Unsecured,considered good			
Receivables from holding company and other group companies	34,647	27,572	25,997
	34,647	**27,572**	**25,997**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	5,339	9,917	14,370
	5,339	**9,917**	**14,370**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Loans and Advances			
Staff loans and advances	-	602	91
	-	**602**	**91**

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

2.5 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
500,000 (31 March 2016: 500,000;1 April 2015: 500,000) equity shares of SGD 1 each	24,869	24,869	24,869
Issued equity capital			
500,000 (31 March 2016: 500,000;1 April 2015: 500,000) equity shares of SGD 1 each	24,869	24,869	24,869
Subscribed and fully paid-up			
500,000 (31 March 2016: 500,000;1 April 2015: 500,000) equity shares of SGD 1 each	24,869	24,869	24,869
	24,869	**24,869**	**24,869**

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

Particulars	**As at 31 March 2017**		**As at 31 March 2016**		**As at 1 April 2015**	
	No. of equity shares	**Amount**	**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	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**	**500,000**	**24,869**

(b) **Terms / rights attached to the 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 2017**		**As at 31 March 2016**		**As at 1 April 2015**	
	No. of equity shares held	**% holding in the class**	**No. of equity shares held**	**% holding in the class**	**No. of equity shares held**	**% holding in the class**
Dr. Reddy's Laboratories SA	500,000	100%	500,000	100%	500,000	100%

Financial Liabilities

2.6 : Other financial liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Other current financial liabilities			
Accrued expenses	638	475	-
	638	**475**	**-**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.7 : Employee Benefits expense		
Salaries,wages and bonus	-	8,658
Staff Welfare expenses	-	655
	-	**9,313**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.8 : Other expenses		
Audit fees	508	524
Foreign exchange loss,net	1,751	-
Legal and professional	31,197	11,270
Other general expenses	53	123
	33,509	**11,917**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.9 : Tax expense		
Current tax expense	234	687
Deferred tax expense/(benefit)	-	(1,573)
	234	**(886)**

Dr Reddy's S.r.l. (with a sole shareholder)

Legal Seat in Milan - Piazza Santa Maria Beltrade, n. 1
Share Capital Euro 99.000,00 - fully paid - in
Fiscal code and Milan Registry of Trading Companies
fiscal code and VAT number: 01650760505
Registered to Milan CCIAA n. 1882447

Financial Statements as of March 31, 2017

(Drawn up pursuant art. 2435-bis C.C.)

(amounts are in Euro)

Balance Sheet

Assets		31.03.2017	31.03.2016
B) Fixed assets			
I.	*Intangible assets*	667	841
II.	*Tangible assets*	3.272	3.981
III.	*Financial assets*	18.102	9.278
Total fixed assets		22.041	14.100
C) Current assets			
I.	*Stock*		
	Finished goods	356.110	663
II.			
	Accounts receivable		
	- falling due within one year	108.041	206.153
	- falling due after more than one year	0	0
	Total accounts receivable	108.041	206.153
III.	*Financial assets not representing fixed assets*		
	Total financial assets not representing fixed assets	0	30.000
IV.	*Liquid assets*	108.632	263.667
Total current assets		572.783	500.483
D) Accrued income and pre payments			
	- others	4.825	11.355
		4.825	11.355
Total assets		599.649	525.938

Liabilities		31.03.2017	31.03.2016
A) Shareholders equity			
I.	Share Capital	99.000	99.000
IV.	Legal reserve	0	0
VII.	Other reserves	262.441	125.989
VIII.	Retained earnings / (loss carried forward)	0	0
IX.	Operating profit (loss)	(619.213)	(333.548)
Total		**(257.772)**	**-108.559**
B) Provisions for risks and liabilities		40.892	138.313
C) Provision for employees' leaving indemnity		72.461	53.563
D) Accounts payable			
	- falling due within one year	744.068	442.621
	- falling due after more than one year	0	0
	Total acconts payable	744.068	442.621
E) Accrued liabilities and deferred income			
- miscellaneous		0	0
		0	0
Total liabilities		**599.649**	**525.938**

MEMORANDUM ACCOUNTS	31.03.2017	31.03.2016

Profit and loss account

		31.03.2017	31.03.2016
A) Revenues			
1)	*Sales and services*	203.724	279.228
2)	*Changes on stock of goods in process, semi-finished goods and finished goods*	355.493	663
5)	*Miscellaneous revenues*	64.345	22.737
Total revenues		623.562	302.628
B) Costi della produzione			
6)	*For raw materials, subsidiarymaterials, consumables and goods*	424.241	110.451
7)	*Services*	235.528	221.214
8)	*Rent/Lease*	43.703	8.799
9)	*Personnel*		
	a) Salary and wages	330.645	196.536
	b) Social security contributions	95.534	64.077
	c) Employees' leaving indemnity	22.670	13.015
		448.849	273.628
10)	*Depreciation and write-downs*		
	a) Depreciation of intangible assets	174	691
	b) Depreciation of tangible assets	2.209	2.653
	c) Other devaluation of tangible assets	0	0
	d) Bad debts accruals	0	0
	Total depreciation and write-down	2.383	3.344
11)	*Changes in stock of raw material, subsidiary materials,*	0	0
	expendable materials and goods	0	0
12)	*Risk accruals*	0	0
13)	*Other accruals*	0	0
14)	*Other management costs*	88.071	18.740
Total expenses		1.242.775	636.176
Difference between revenues and expenses (A-B)		(619.213)	(333.548)
C) Financial income and costs			0
16)	*Other financial income*	0	
17)	*Interest and other financial cost*		0
	d) other than the above	0	0
		0	
			0
17) bis	*Exchange gains and losses*	0	
			0
Total financial income and costs		0	
Result before taxes		(619.213)	(333.548)
20)	*Taxes on the income for the year*		0
	- current taxes	0	0
	- deferred taxes	0	0
		0	
21) Profit (Loss) for the year		(619.213)	(333.548)

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Dr Reddy's S.r.l. (with a sole quotaholder)

Registered office at Milano – Piazza Santa Maria Beltrade, n. 1

Share capital EURO 99.000,00 i.v.

Taxpayer's ID and Companies Register no. 01650760505

Registered to Milan CCIAA no. 1882447

Fiscal code and VAT number no. 01650760505

ABRIDGED EXPLANATORY NOTE PURSUANT ART. 2435 BIS C.C. ON THE FINANCIAL STATEMENT AS OF MARCH, 31 2017

STRUCTURE, CONTENT AND DRAFTING PRINCIPLES OF FINANCIAL STATEMENT

The financial statements for the financial year closed on December 31, 2016, of which this explanatory note is part, have been drafted in accordance with the rules of the Civil Code (c.c.) supplemented by accounting principles issued by the Italian Accounting Body (O.I.C).

This financial statement has been prepared taking into account the legislative changes introduced by D.Lgs. no. 139/2015 applicable starting from the financial year 2016 and of the consequent OIC accounting principles updating. The application of the new drafting principles have not involved any relevant effects on the balance sheet and Profit and Loss Account items of the current and the previous financial year.

The drafting principles and the valuation criteria are based on the general principles of prudence, competence and going concern basis, and taking into account of the economic function of the asset or liability element considered.

Going concern basis

The Board of Directors has considered that this financial statements should be prepared on the going concern basis in the light of the results set out in the business plan and the payment made by the shareholder during the month of April 2017 for a total amount of Euro 750,000 to cover the accrued and accruing losses.

The criteria adopted for this financial statements drafting are in accordance with the provisions of art. 2426 C.C. It have not occured derogation use pursuant art. 2423 paragraph 4.

It have been also taking into account the financial year risks and losses, even though they have been known after the financial year closing date, but before the financial statements drafting.

The financial statements have been drawn up in an abridged form, pursuant to art. 2435 C.C.

It is also noted that the explanatory note is drafted in Euro.

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VALUATION CRITERIA

The valuation criteria are exposed as follows.

Intangible assets

Their registration is based on the fact that these expenses can provide future benefits whose economic utility will continue over time; they are recorded at the cost incurred for their acquisition. They are systematically amortized in relation to their residual utilization potential.

Description	Depreciation Rate
Research, development and advertising cost	20%
Marketing authorised products	20%
Software Licenses	20%

Fixed assets whose value at the the financial year closing date is permanently lower than the depreciated cost in accordance with the above exposed criteria, are recorded at this lower value. In the Balance Sheet, the value of intangible assets is shown net of all depreciation and possible value adjustments.

Tangible fixed assets

Tangible fixed assets are accounted at historical cost and the adjusted provisions of such items are carried directly decreasing the assets.

The ordinary depreciation has been calculated systematically on the basis of rates considered representative of the residual utilization possibility of each category of asset.

The depreciation rate adopted for office machines is 20%, for commercial equipment it is 15%.

In the financial year, in which the asset comes into operation, the depreciations are calculated using the above-mentioned rates, reduced by 50%, assuming that purchases are homogeneously distributed throughout the year.

In the event that, irrespective of the depreciation already accounted, there is a permanent loss of value, the asset is correspondingly devaluated; if in the subsequent financial years the assumptions of the value adjustment are no longer met, the original value is restored.

Assets that can be used independently, if their usefulness is limited to one financial year, are fully depreciated during the year.

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Financial fixed assets
Fixed assets are valued on the basis of their estimated realizable value. The other financial fixed assets are stated at the acquisition cost inclusive of the related ancillary costs.

Inventories
Raw materials and products inventories are stated at the lower of purchase or production cost, including ancillary costs, and the market estimated realizable value. The value of such inventories is restored if the reasons for the value adjustments are no longer met. In order to determine the cost it has been used the specific cost method. The advances are stated in the balance sheet assets at nominal value.

Receivables
Receivables are recorded at the estimated realizable value resulting from the difference between the nominal value and the receivables value adjustments provisions, determined to meet the expected recoverability risks.

Conversion criteria of the extra UEM currency items.
Currency assets and liabilities, except the fixed assets, are stated at the spot exchange rate at the end of the year and the related profits and losses on exchange are recognized in the Profit and Loss Account. The possible net income is allocated in a non-distributable reserve until the realization. Fixed assets in currency are recorded at the exchange rate at the time of their purchase or at the lower of the year-end if the reduction is considered durable.

Liquid assets
Liquid assets at financial year closing date are stated at nominal value.

Accrued income and prepayments
These items include those costs and income, common to two or more years, in accordance with the principle of economic and temporal competence.

Net equity
The share capital subscription is occurred at the nominal value of the shares subscribed by the shareholder.
The reserve registration is occured at nominal value.

Provisions for risks and charges
Provisions for risks and charges are allocated to cover exsisting or probable losses or debts, whose exact amount or the occurrence date can not be determined at financial year closing. The appropriations reflect the best possible estimate based on the commitments made and the available elements. The accruals for provisions for risks and charges are classified according to the nature of the transaction in the corresponding Profit and Loss Account items.

Indemnities for termination of subordinate employment
The Indemnities for termination of subordinate employment reflects the indemnity provided for the Italian law and that will be liquidate when the employee leaves the Company. In the presence of specific conditions, it may be partially anticipated to the employee during the working life.

Until December 31, 2006, the indemnities for termination of subordinate employment was totally considered a defined benefit plan. The regulation of this provision was changed by the December 27, 2006 Law (Finance Law 2007) and subsequent Decrees and Regulations issued in the first months of 2007. In light of these changes, with particular reference to companies with fewer than 50 employees, this institution can be considered a defined benefit plan exclusively for the accrued shares before January 1st, 2007 (and not yet liquidated at the financial year date) and for the shares accrued after that date for those employees who have chosen to maintain the Indemnities for termination of subordinate employment in the company. While for the shares accrued after January 1, 2007 by the employees who made the Indemnities for termination of subordinate employment to pension provisions, it is comparable to a defined contribution plan.

In the case of defined benefit plans, the liability includes the amounts accrued in favor of personnel for indemnities for termination of subordinate employment due according to the law, net of the advanced payments paid and net of what has already been paid to the employees.

In the case of defined contribution plans, the Company pays contributions to public or private insurance institutes. With the contributions payments, the Company fulfills all its obligations. The liabilities for contributions to be paid as of the balance sheet date are included under the item "Payables to social security institutions"; the cost in the period accrues on the basis of the service rendered by the employee and is recognized among the personnel costs under the item "Indemnities for termination of subordinate employment ".

Payables
Payables are stated at nominal value.

Revenues recognition
Revenues from products sales are recognized at the time of the ownership transfer, which normally identifies with the goods delivery or shipment of the goods.
Financial revenues and those deriving from the services provisions are recognized on a timely basis.
Revenues and income, costs and charges relating to currency transactions are determined at the exchange rate on the date on which the relevant transaction is made.

Income and expenses interest, other costs and revenues
They are exposed in the financial statements in accordance with the accrual and economic principle.

Income taxes
Income taxes of the financial year are determined on the basis of a realistic estimate of the tax obligations to be accomplished, in accordance with current tax legislation. The tax liability is shown under "Tax payables" net of paid advances and withholdings.

If advances paid and possible receivables resulting from previous financial years are higher than the tax due, the net credit to the tax authorities is recorded among the receivables under "Tax receivables".

Deferred tax assets and liabilities
In compliance with the accounting principle no. 25 of the Italian Accounting Organization, deferred tax liabilities are recognized in the "tax provision" item and the assets for deferred tax assets in the item "deferred tax assets", calculated on the temporary differences between the values of the assets and liabilities stated in the financial statements and the corresponding tax values.

In accordance with this principle, deferred taxes assets are accounted only in so far as there is a reasonable certainty of their total future recovery.

Deferred tax assets receivables and deferred tax liabilities payables are offset if compensation is legally permitted.

ANALYSIS OF INDIVIDUAL ITEMS

BALANCE SHEET

ASSETS

B) FIXED ASSETS

B.I) INTANGIBLE ASSETS

Net intangible assets at the end of the financial year amounted to **Euro 667** and show a net decrease compared to the values recorded at March 31, 2016, equal to **Euro 174**. The movements in the item are shown in the following table:

Description	Intangible assets
Historical costs	193,030
Depreciation provisions	(192,189)
Net value as of 31.03.2016	841
Costs disposal	(128,935)
Depreciation disposal	128,935
Financial year depreciations	(174)
Net value as of 31.03.2017	**667**

The financial year movements, broken down by asset category, are shown in the table below:

Category	Advertising costs	AIC on the market	Software programs	Total
Historical costs	128,935	49,583	14,512	193,030
Depreciation provisions	(128,935)	(49,583)	(13,671)	(192,189)
Net value as of 31.03.2016	-	-	*841*	*841*
Costs disposal	(128,935)	-	-	(128,935)
Depreciation disposal	128,935	-	-	128,935
Financial year increases	-	-	-	-
Financial year depreciations	-	-	(174)	(174)
Net value as of 31.03.2017	**-**	**-**	**667**	**667**

B.II) Tangible fixed assets

Net fixed assets, equal to **Euro 3,272**, has recorded a net decrease compared to the values recorded at March 31, 2016, equal to **Euro 709**. The movements in the item are shown in the following table:

Description	Tangible assets
Historical costs	12,531
Depreciation provisions	(8,550)
Net value as of 31.03.2016	*3,981*
Financial year increases	1,500
Costs disposal	-
Depreciation disposal	-
Financial year depreciations	(2,209)
Net value as of 31.03.2017	**3,272**

The financial year movements, broken down by asset category, are shown in the table below:

Category	Commercial equipment	Office machines	Total
Historical costs	1,910	10,621	12,531
Depreciation provisions	(1,910)	(6,640)	(8,850)
Net value as of 31.03.2016	-	*3,981*	*3,981*
Financial year increases	-	1,500	1,500
Costs disposal	-	-	-
Depreciation disposal	-	-	-
Financial year depreciations	-	(2,209)	(2,209)
Net value as of 31.03.2017	**-**	**3,272**	**3,272**

The increases for **Euro 1,500**, refers to a computer purchase occured during the financial year.

B.III) Financial Assets

Financial assets include guaranteed disposals for **Euro 18,102**.

C) CURRENT ASSETS

C.I) Inventories

The item detail is the following:

Category	Balance as of 31.03.2016	Increases (Decreases)	Balance as of 31.03.2017
Finished products and goods	663	335,144	356,110
Finished products value adjustments provision	-	-	-
Total Inventories	**663**	**335,144**	**356,110**

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C.II) Receivables

The receivables stated in the current assets, compared to March 31, 2016, have recordered a decrease equal to **Euro 13,435** and the balance broken down by category, is composed as follows:

Category	Balance as of 31.03.2016	Increases (Decreases)	Balance as of 31.03.2017
Customers receivables	141,944	(25,319)	116,625
Tax receivables	57,405	9,218	66,623
Others	6,804	2,666	9,470
Total	**206,153**	**(13,435)**	**192,718**

C.II.1) Receivables from customers

The composition of this item is shown in the following table:

Category	Balance as of 31.03.2017
Italy customers	210,615
UE customers	1,098
Bad debts provision	(95,088)
Receivables from customers	**116,625**

Receivables from customers, falling due within the following financial year, related to receivables arising from ordinary commercial transactions occuring mainly with italian counterparties. This item is shown in the financial statement net of the related bad debts provision.

The bad debt provision, equal to Euro **95,088**, has recorded the following movements:

Category	Balance as of 31.03.2016	Accrual	Utilization	Saldo al 31.03.2017
Bad debt provision	191,919	-	(96,831)	95,088

C.II.4.bis) Tax receivables

The tax receivables are mainly attributable to the VAT receivable accrued at the end of the financial year. The composition of tax credits is as follows:

Category	Balance as of 31.03.2017
VAT receivables	40,498

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IRAP receivables	6,313
IRES receivables	5,381
VAT receivables I quarter	9,603
IRPEF witholdings	4,828
Total tax receivables	**66,623**

C.II.5 Other recivables

The item include receivables from INAIL (**Euro 1,470**) and receivables for employees advances (**Euro 8,000**).

C.III) Financial assets that do not constitute fixed assets

This item, as of March 31, 2016, included deposit certificates amounting to Euro 30,000, purchased by the company and tied to sureties. At the closing date of this financial statement, this item is reduced to zero.

C.IV) Liquid assets

The composition of the item "Liquid assets" is summarized in the table below:

Category	Balance as of 31.03.2017
Bank deposits	108.421
Cash and cash equivalents	211
Liquid assets	**108.632**

D) Accrued income and prepayments

This item, equal to **Euro 4,825**, is mainly composed from accrued income on costs related to medical (**Euro 756**) and assistance costs (**Euro 2,838**).

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LIABILITIES AND NET EQUITY

A) NET EQUITY

The net equity movements occurred during the financial year are shown in the following table:

	I. Share Capital	VII. Capital injections	IX. Profit/(Loss) of the financial year	Ending balance
Net equity as of 31.03.2014	**99,000**	**522,304**	**(579,295)**	**42,009**
Increases 2014/15	-	400,000	-	400,000
Utilization 2014/15	-	(579,295)	579,295	-
Loss of the financial year 2014/15	-	-	(217,020)	(217,020)
Net quity as of al 31.03.2015	**99,000**	**343,009**	**(217,020)**	**224,989**
Increases 2015/16	-	-	-	-
Utilization 2015/16	-	(217,020)	217,020	-
Loss of the financial year 2015/16	-	-	(333,548)	(333,548))
Net equity as of 31.03.2016	**99,000**	**125,989**	**(333,548)**	**(108,559)**
Increases 2016/17	-	470,000	-	470,000
Utilization 2016/17	-	(333,548)	333,548	-
Loss of the financial year 2016/17	-	-	(619,213)	(619,213)
Net equity as of 31.03.2017	**99,000**	**262,441**	**(619,213)**	**(257,772)**

A.I) Share capital

The share capital, which is fully subscribed, amounts to **Euro 99,000**.

Pursuant art. 2427, no. 7 bis) c.c., it is provided a summery related to the possibility of the net equity reserves utilization, showing the utilization of those reserves in the last three financial year (values expressed in Euro):

Nature and description	Amount	Possibility of utilization	Available part	Utilizations made in the last three financial year: To coverage losses	Utilizations made in the last three financial year: To other reasons
Share capital	99,000	-	-	-	-
Capital reserve:					
Quotaholder transfers for losses covering	262,441	*A,B,C*	262,441	1,129,863	-
Profits reserve:					
Legal reserve	-		-	-	-
Profits (losses) carry forward	**-**				
Total	**262,441**		**262,441**	1,129,863	**-**
Part not to be distributed			**262,441**		
Part that may be distributed			**-**		

Legend: A for capital increase; B for losses covering; C for quotaholders distributions

The net equity reserve undistributed part refers to the loss income of the financial year.

It is noted that after the financial statement closing date the Parent Company Reddy Pharma Italia has recapitalized the Company through a covering losses transfer for Euro 750,000.

B) Provisions for liabilities and charges

This item, which as of March, 31 2017 is equal to **Euro 40,892,** is constituted only from the liabilities provision for damage purchasing. The rest of the provision has been fully used. The provision movement is shown as follows:

Category	Balance as of 31.03.2016	Increases	(Utilization)	Balance as of 31.03.2017
Returns on sales provision	50,452	-	(50,452)	-
Agents liabilities provision	45,617	-	(45,617)	-
Damage purchasing provision	42,244	-	(1.,352)	40,892
Total	**138,313**	**-**	**(97,421)**	**40,892**

C) Indemnities for termination of subordinate employment

The indemnities for termination of subordinate employment of **Euro 72,461** shows an increase of **Euro 18,898** compared to March, 31 2016.

Description	Amount
Beginning balance	**53,563**
Part accrued in the financial year	22,670
Other increases	-
Decreases/Adjustments	(3,772)
Balance as of 31.03.2017	**72,461**

The following table shows the financial year data on the composition of the employees:

Category	Average number as of 31.03.2016	Average number as of 31.03.2017
Executives	1	1
Employees	2	6
Workers	-	-
Total	**3**	**7**

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D) Payables

As of March, 31 2017 the payables amount to **Euro 828,745**. The payables breakdown is the following:

Description	Beg. Balance	Increases (Decreases)	Total Payables as of 31.03.2017	UE	Extra-UE
Payables to shareholders for loans	90,000	(90,000)	-	-	-
Payables to suppliers	160,709	39,504	200,213	200,213	-
Payables to parent company	46,099	326,600	372,669	-	372,699
Paybles to subsidiaries	58,384	(7,420)	50,964	50,964	
Tax payables	10,614	1,403	12,017	12,017	-
Payables to social security institutions	23,249	(3,452)	19,797	19,797	-
Other payables	53,556	119,489	173,055	173,055	-
Total	**442,621**	**386,124**	**828,745**	**456,046**	**372,699**

There are not payables that are filling due after five years. The analysis of the individual items composing the balance is shown as follow.

D.3) Payables to shareholders for loans

The balance of the item is zero as a result of the extinguishment during the financial year due to the non-interest bearing loan that was granted by the parent company Reddy Pharma Italia S.r.l. during the financial year closed as of 31 March 2016.

D.7) Payables to suppliers

The balance of this item include payables to suppliers for **Euro 99,693**, payables to European suppliers **Euro 3856,** payables for invoices to be received for **Euro 96,665**.

D.11) Payables to parent companies

They are payables for goods purchase by the Indian parent company Dr. Reddy's Laboratories L.t.d.

D.12) Tax payables

The item includes mainly payables for Irpef witholdings for **Euro 11,256** and additional (regional and municipal) payables for **Euro 741**.

D.13) Payables to social security institutions

The payables to socialsecurity institutions are mainly constituted from INPS security contributions for **Euro 14,539**.

D.14) Other payables

This item mainly consists of payables to employees for unused holidays of **Euro 34,259**, payables for employees relating to premiums not yet paid for **Euro 37,244** and payables to pharmacies and wholesalers for **Euro 84,677**.

In addition, regarding other information required by art. 2427, it is stated that:

- the company does not own, directly or through trustee or intermediaries, holdings in subsidiaries and related companies (art. 2427, paragraph 1, no. 5 C.C.)
- there are no receivables and payables in the financial statement for transactions which provide the obligation of repayment for the purchaser (art. 2427, paragraph 1, no.6 ter C.C.);
- there are no financial charges attributable to the assets items acquisition of the Balance Sheet (art. 2427, paragraph 1, no.8 C.C.).

COMMITMENTS, GUARANTEES AND OTHER POTENTIAL LIABILITIES

It is evidenced that the Company has issued sureties in order to participate in tenders for the pharmaceuticals goods supply, for a total amount of Euro 3,247,871**.**

ANALYSIS OF THE MAIN PROFIT AND LOSS ACCOUNT ITEMS

A) VALUE OF PRODUCTION

The value of the production, equal to **Euro 623,562**, is composed as follows:

Description	31.03.2017	31.03.2016
Income from sales and performaces	203,724	279,288
Finished good stock variation	355,493	663
Other income and earnings	64,345	22,737
Total	**623,562**	**302,628**

A.1) Income from sales and performaces
The incomes are related to sales of pharmaceutical products and are entirely achieved in Italy.

A.2) Finished goods stock variation
It represents the difference between the finished product inventories consistency at the end of the year and at the beginning of the year.

A.5) Other income and earnings

This item includes an extraordinary income for the bad debt for Euro 27,517 and another extraordinary income of Euro 36,828 due to the receipt of certain refunds as a result of legal cases.

B) COSTS OF PRODUCTION

The datail of this item, equal to **Euro 1.242.775**, is composed as follows:

Description	31.03.2017	31.03.2016
For raw materials, subsidiary materials, consumables	424,241	110,451
For services	256,988	221,214
For rent and leases	43,703	8,799
Personnel costs		
a) wages and salaries	330,645	196,536
b) social security contribution	95,534	64,077
c) indemnity for termination of employment	22,670	13,015
Depreciations and value adjustment		
a) depreciation of intangible assets	174	691
b) depreciation of tangible assets	2,209	2,653
c) other value adjustment of intangible assets	-	-
d) Receivables and liquid assets value adjustments stated in the current assets	-	-
Goods inventories variations	-	-
Accrual for liabilities	-	-
Other accruals	-	-
Other operating costs	66,611	18,740
Total	**1,242,775**	**636,176**

B.6) Raw materials, subsidiary materials, consumables

This item is mainly constituted by purchase costs of marketable drugs (**Euro 420,663**).

B.7) Costs for services

This item mainly includes costs related to employee refunds (**Euro 16,885**), legal expenses (**Euro 68,313**), consultancy costs (**Euro 25,285**).

B.8) Costs for rent and leases

This item includes costs related to commercial rents (**Euro 43.703**).

B.9) Personnel costs

The item detail is shown in the following table:

Description	Balance as of 31.03.2017	Balance as of 31.03.2016
Wages and salaries	330,645	196,536
Social security contributions	95,534	64,077

indemnity for termination of employment	22,670	13,015
Total	**448,849**	**273,628**

The personnel cost increase recordered compared, is due to the employment of four empolyees during the financial year.

B.10) Depreciations and value adjustments
The depreciations of the financial year include software (**Euro 174),** and office machines depreciations (**Euro 2.209**).

B.14) Operating costs
The operating costs are mainly rapresented by consultancy costs.(**Euro 47,619**).

20) INCOME TAX OF THE FINANCIAL YEAR

There are no current taxes and deferred tax liabilities. In particular, it is noted that for the financial year closed as of March, 31 2017 it has been considered prudently not to account deferred tax assets on tax losses as there are no conditions for their inclusion in accordance with OIC accounting principles.

§ § §

Information required for the exemption from the Management report, pursuant art. 2428 C.C..

The company does not have parent companies shares or unit (art. 2428, paragraph 2, n.3 C.C.), and not shares or unit have been disposed or purchased during the financial year (art. 2428, paragraph 2, n.4 C.C.) also through trustee or intermediaries.

OTHER INFORMATIONS

This financial statement is composed by Balance Sheet, Profit and Loss Account and explanatory note, provides a true and accurate picture of the Company's financial position and performance and of the Profit or Loss income of the financial year.

Significant events occurred after the financial statement closing date
With reference to the point 22-quater of the article 2427 C.C, no significant events occurred after the end of the financial year which have had a significant impact on the financial position and performance of the Company except for what has already been reported on the transfers made by the quotaholder on April 2017 Euro 750,000.

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Financial Year Loss income coverage

We invite you to approve the financial statement and explanatory note as they have been shown and we invite you to cover the loss income of the financial statement equal to **Euro 619,213** through the reserve utilization specifically constituted by the quotaholder transfer.

Milan, • 2017

Chairman of Board of Directors

Natu Sameer Sudhakar

____

Grant Thornton

Dr. Reddy's Research and Development B.V.
(formerly Octoplus B.V.)

in Leiden

Annual Report 2016/2017

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Grant Thornton

To the board of directors of
Dr. Reddy's Research and Development B.V.(formerly
Octoplus B.V.)
For the attention of the Directors
Zernikedreef 12
2333 CL LEIDEN

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Accountants en Adviseurs B.V.
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The Netherlands

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Rotterdam, 10 May 2017

Subject: Annual report 2016/2017

Dear Sirs,

We hereby send you the proforma report regarding the financial statements for the year 2016/2017 of your company, which include the company balance sheet with a total of € 17.0960 (x 1.000) and the profit and loss account ending with a net result of € 1.352 (x 1.000).

ENGAGEMENT

In accordance with your instructions we have audited the 2016/2017 financial statements of Dr. Reddy's Research and Development B.V.(formerly Octoplus B.V.), Leiden. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
These financial statements are included, together with the management board's report and the other information, in the 2016/2017 annual accounts attached to this report.

For the audit opinion we refer to the chapter "Other information" on page 28 of this report.

Yours sincerely,
Grant Thornton Accountants en Adviseurs B.V.

drs. M.P. van Rijssel RA

GENERAL

Activities

Dr. Reddy's Research and Development B.V. is a pharmaceutical company specialised in the controlled release, development, formulation, and manufacture of injectable products.Dr. Reddy's Research and Development B.V.(formerly Octoplus B.V.) offers a platform of proprietary biodegradable polymers for the controlled release and extended release of injectable products, in particular proteins.

Board of directors

On 31 March 2017 the board of directors is formed by A. Biswas, R. Friedrichs and R. Verrijk.

Appropriation of the 2016/2017 net result

The net result over 2016/2017 amounts to € 1.352(x 1.000) (The net result over 2015/2016 amounted to € 2.243 (x 1.000)). The appropriation of the net result is reported under Other Information of the financial statements.

FINANCIAL REPORT 2016/2017

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REPORT OF THE BOARD

Introduction

Since its establishment in 1995 Dr Reddy's Research & Development B.V. (hereinafter "Dr Reddy's", formerly known as OctoPlus BV) has focused on the formulation development and manufacturing of difficult-to-formulate complex injectable drugs. Dr Reddy's has significant in-house expertise in the development and creation of micro-spheres and liposomes that enhance and enable controlled release of active pharmaceutical ingredient into humans.

Dr Reddy's acts as a service provider developing and manufacturing formulations of injectable drugs for the biotechnology and pharmaceutical industry. After the acquisition by Dr Reddy's, the development of generic injectables has been added to Dr Reddy's activities. The Company has strived to streamline costs, increase the quality delivered by leveraging the know-how and expertise of its employees as well as the drug delivery platforms.

During the year, as on 1st January 2017, the Company merged all of its subsidiaries into Parent company, "Octoplus B.V" and renamed OctoPlus B.V as Dr Reddy's Research & Development B.V.

Business developments and revenues

In drug delivery evaluation projects we develop complex injectables. Our activities for complex injectable projects are typically reimbursed on a fee for service basis if the activities are for third parties, minor part of the company. Development of complex generic injectables is predominantly performed for our parent company, Dr. Reddy's Laboratories Ltd. Major part of the company. Currently, most of our resources are committed towards development of complex generic drugs. In order to be profitable and sustainable in the future, the company during the year also has taken steps to reposition its activities in coming years. The company has taken decision to increase its focus on complex injectable formulations and development by creating clusters. And also as a result, the company during the year and in future has decided to refocus its third party projects only with high value or high scientific learning. Dr Reddy's surrendered its GMP manufacturing license during the year to free up the capacity for development of complex injectable formulations.

Financial developments

Consolidated revenues decreased by 27% from € 19.5 million in 2015-16 to € 14.2 million in 2016-17. Revenue from Dr Reddy's Ltd. decreased from €17.8 million in 2015-16 to €13.9 million in 2016-17.

Total operating costs (excluding interest) decreased by 24% from € 16.67 million in 2015-16 to € 12.04 million in 2016-17. Interest costs relate to our financial leases decreased to € 0.79 million (2015-16: € 1.11 million). As a result of decreased expenses and cost control and activation of own development cost, the net Profit before taxes decreased to € 1.4 million (2015-16: profit before taxes is € 1.8 million).
The operating cash flow amounts to € 2.3 million positive (2015-16: € 9.9 million positive). Investing activities amounting € 2.3 million (2015-16: € 0.4 million) includes net investments for property, plant and equipment's to build capacity and for future business growth. The consolidated net cash outflow from financing activities amounted to € 0.5 million (2015-16: € 11.5 million outflow). The net cash flow as at March 2017 amounted to € 0.4 million negative (2015-16: € 2.0 million negative).

Outlook fiscal year 2018

Our focus on delivery, efficiency and effectiveness in virtually all key functions of our organization has generated the revenue in 2016-17 which we expect to be able to continue. We expect to meet the increased demand from our customers by increasing the utilization of our expanded facilities in Leiden. We will be making further investments in equipment in the coming years, especially to accommodate the requirement for development of more generic complex injectables.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for designing, implementing and operating our internal risk control structure in order to manage in an effective and efficient manner the risks we are exposed to. The principal objective of the Dr Reddy's R&D business model is to become a sustainable operationally cash flow balanced company in the medium term by strict cost control and expanding our revenue base. Our internal risk control structure needs to assist Dr Reddy's R &D in achieving this objective.
Dr Reddy's R&D internal risk control structure consists of:

Policies, principles and procedures
Dr Reddy's R & D procedures are formalized in Standard Operating Procedures (SOP's). These SOP's are reviewed at periodic intervals and amended where necessary. In FY17 the company implemented a new QMS system to re-align the quality requirements to the focus of R&D work to be done.
The Code of Conduct which includes the Internal Code on Inside Information and the Whistleblower's policy is published on the intranet. The personnel handbook contains guidelines relevant for all employees and is regularly updated. The authorization levels within Dr Reddy's R&D are sufficient and mentioned in the implemented procedures.

Budgeting process
The strategic plan is converted into an annual budget. Actual financial results are measured against budget on a monthly basis. Financial and non-financial key performance indicators (KPI's) have been identified. A management report is prepared on a monthly basis. This management report includes both financial and non-financial information as well as KPI's. The management report is distributed to and discussed with the management.

External auditor

The external auditor carries out the procedures and activities related to the issuance of the auditor's opinion to the financial statements. The external auditor takes into consideration the systems that are intended to ensure reliable reporting. The external auditor reports any significant matters relating to internal control measures that have been identified during the audit of the financial statements. The observations made by the external auditor are discussed with the Board.

Risk control matrix

The external auditor carries out the procedures and activities related to the issuance of the auditor's opinion to the financial statements. The external auditor takes into consideration the systems that are intended to ensure reliable reporting. The external auditor reports any significant matters relating to internal control measures that have been identified during the audit of the financial statements. The observations made by the external auditor are discussed with the Board.

During 2016-17 we have maintained the existing internal controls in the area of project administration.

OPERATIONAL RISKS

Complex services

The formulation and manufacturing services that we offer can be highly complex. From time to time, issues may arise in the formulation laboratory for a variety of reasons including equipment malfunction, failure to follow specific protocols and procedures, issues with raw materials, employee turnover and environmental factors. Such issues could affect the formulation success, the production of a particular R&D batch or series of batches. This could, among other things, lead to increased costs, lost revenues, damage to customer relations, reimbursement to customers for lost active pharmaceutical ingredients, time and expense spent investigating the cause. We are mitigating this risk by hiring experienced employees, cross-fertilizing experience and providing necessary training to our staff.

Fixed development and manufacturing capacity

The amount that the pharmaceutical and biotechnology industries spend on formulation development and manufacturing for clinical studies and commercial use and in particular how much they spend on outsourcing such activities may have a large impact on our revenues and profitability. As a result, we may experience overcapacity in terms of development resources and manufacturing resources which could affect our profitability as the costs related to these resources are largely fixed in the medium term. By creating a balanced portfolio, building long-term relationships with customers for multiple products and through our pricing strategy we are actively balancing the utilization of our development capacity. In the financial year 2016, the manufacturing facility has been closed, and the capacity will be used to expand in fixed development.

Qualified personnel

Recruiting and retaining qualified personnel is critical to our success. We may not be able to attract and retain qualified personnel on acceptable terms given the competition among pharmaceutical and biotechnology companies, universities and research institutions for similar personnel. Several measures have been implemented to retain and motivate current personnel, such as the development of specific retention and training programs and the implementation of a more simplified organization which allows a more open and direct dialogue between various levels and different functions within the organization.

Product liability exposure

We are exposed to liability risks from performing formulation development services for third parties. We have a quality system in place to ensure that these services are delivered in an appropriate manner. In our service contracts we include a paragraph which limits our liability. Also we have liability insurance, which we currently believe is adequate to cover liabilities we may incur.

FINANCIAL RISKS

Risk of not establishing a cash balanced business model
We believe that we will be able to create a balanced cash flow in the medium term. With the change in business model, through strict cost control and a focus on building a balanced revenues portfolio including project for Reddy's, we have reduced the risk of continuing losses.
Management ensures that the cash position is sufficient to meet the company's financial obligations towards creditors. Although the company has a negative equity and working capital there is no doubt on the entity's ability to continue as a going concern in view of the intention and ability of the parent company to continue to provide financial support.

Currency risk
A number of our customers is located outside the Euro-zone. We minimize our exposure to exchange rate risks by invoicing our customers in Euro.

Credit risk
Credit checks are carried out on all customers. Amounts outstanding for both time and credit limits are regularly monitored.

Financial reporting risks and compliance risks
As in any other company, there is a risk of errors in our financial reporting. To prevent this risk from occurring, we have reporting and accounting procedures, results analysis and external auditing in place to limit the risk of unfair or incorrect representation of financial reporting. Our Internal Code of Conduct stipulates that staff should comply with all applicable laws and regulations. Complementary to other reporting lines, a whistleblower's procedure enables staff to report alleged irregularities of a general, operational and financial nature without jeopardizing their legal status. During 2016/17, we have received no such reports.

Financial instruments risk
In the years presented in these financial statements, the Group did not purchase or hold any derivative financial instruments or available-for-sale financial assets. The financial instrument risk related to these types of instruments is therefore minimal. The company has loans payable which have an interest rate based on the Euribor rate including a markup.

Legislation and regulation risk
The pharmaceutical industry in which Dr Reddy's R&D operates needs to comply to strict rules and regulations, in particular related to cGMP manufacturing. The rules relevant to Dr Reddy's R&D are established and monitored by the European Medicines Evaluation Agency (the 'EMEA'), the US Food and Drug Administration (the 'FDA') and Dutch regulatory authorities. Rules and regulations might change and this might have consequences for Dr Reddy's R&D. Dr Reddy's R&D intends to adhere to all relevant quality and safety standards.

Signature directors

Leiden, 10 May 2017

A. Biswas
director

R. Friedrichs
director

R. Verrijk
director

BALANCE SHEET AS AT 31 MARCH 2017
(after appropriation of result)

		31 March 2017		31 March 2016	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
ASSETS					
Fixed assets					
Intangible fixed assets	(1)				
Development costs			2.041		0
Tangible fixed assets	(2)				
Land and buildings		4.229		4.658	
Plant and equipments		4.986		6.400	
Furniture		130		219	
Assets under construction and prepayments		151		167	
			9.496		11.444
			11.537		11.444
Current assets					
Inventories	(3)		0		41
Trade and other receivables	(4)				
Trade debtors		3.729		2.349	
Taxes and social securities		522		733	
Other receivables, prepayments and accrued income		554		548	
			4.805		3.630
Cash and cash equivalents	(5)		754		1.195
			17.096		16.310

		31 March 2017		31 March 2016	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
EQUITY AND LIABILITIES					
Equity			-4.308		-5.660
Non-current liabilities	(7)				
Finance lease liabilities			5.693		6.160
Current liabilities	(8)				
Current portion of finance lease liabilities		435		427	
Trade creditors		1.321		901	
Payable to shareholders and associates		11.277		11.235	
Taxes and social securities		132		219	
Accruals and deferred income		2.546		3.028	
			15.711		15.810
			17.096		16.310

PROFIT AND LOSS ACCOUNT 2016/2017

		2016/2017		2015/2016	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
Service revenues	(9,10)		14.217		19.478
Other operating income			0		55
Total revenues			14.217		19.533
Expenses					
Cost of raw materials and consumables	(11)	1.499		2.249	
Employee expenses	(12)	5.575		8.470	
Depreciation/Amortization	(13)	2.268		2.484	
Other operating expenses	(14)	2.696		3.464	
			12.038		16.667
Operating result			2.179		2.866
Financial income and expenses	(15)		-791		-1.098
Result before tax			1.388		1.768
Taxation	(16)		-36		475
Net result			1.352		2.243

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

(According to the indirect method)

	2016/2017		2015/2016	
	X € 1.000	X € 1.000	X € 1.000	X € 1.000
Cash flow from operating activities				
Operating result	1.388		2.243	
Adjustments for:				
Depreciation/amortization/impairments/reversal of impairments	2.268		2.483	
		3.656		4.726
Changes in working capital:				
Decrease of inventories	41		178	
Increase resp. decrease of accounts receivable and other receivables	-1.386		7.357	
Decrease of current liabilities (exclusive of bank overdraft)	-84		-1.789	
		-1.429		5.746
Cash flow from business operations		2.227		10.472
Interest		42		-592
Cash flow from operating activities		2.269		9.880
Cash flow from investment activities				
Investments in intangible fixed assets	-1.732		0	
Investments in tangible fixed assets	-519		-411	
Disposals tangible fixed assets	0		1	
Cash flow from investment activities		-2.251		-410
Cash flow from financing activities				
Repayment of interest-bearing loans		-459		-11.493
		-441		-2.023

Compilation cash

	2016/2017	2015/2016
	X € 1.000	X € 1.000
Balance at beginning of the year	1.195	3.218
Movements in cash and cash equivalents	-441	-2.023
Cash and cash equivalents as at 31 March	754	1.195

NOTES TO 2016/2017 THE FINANCIAL STATEMENTS

Activities

Dr. Reddy's Research and Development B.V.(formerly Octoplus B.V.) is a pharmaceutical company specialised in the controlled release, development, formulation, and manufacture of injectable products. Dr. Reddy's Research and Development B.V.(formerly Octoplus B.V.) offers a platform of proprietary biodegradable polymers for the controlled release and extended release of injectable products, in particular proteins. The Company is a private limited liability company incorporated and domiciled in the Netherlands. The address of its registered office is Zernikedreef 12, 2333 CL Leiden, the Netherlands.

The company is registered in the Chamber of Commerce register under number 28075073.

Group structure

The ultimate parent company is Dr. Reddy's Laboratories Ltd (listed in India).
Reddy Netherlands B.V., an indirectly wholly owned subsidiary of Reddy's Laboratories Ltd., is 100% shareholder of Dr. Reddy's Research and Development B.V.(formerly Octoplus B.V.).

As per 1 January 2017, Octoplus B.V. has been renamed to Dr. Reddy's Research and Development B.V.

Mergers

As at January 1, 2017, a legal merger took place between renamed company Dr. Reddy's Research and Development B.V.(formerly Octoplus B.V.) (Acquiring company) and (1) OctoPlus Development B.V., (2) OctoPlus Technologies B.V., (3) OctoShare B.V., (4) Chienna B.V., (5) OctoPlus Sciences B.V. and (6) OctoPlus PolyActive Sciences B.V. (Companies ceasing to exist). All 100% subsidiaries of the company. Dr Reddy had issued 403 statements for all these subsidiaries.

The merger is accounted for under the pooling of interest method. As a result the merger has been accounted for retroactively as at 1 April 2016. Furthermore in accordance with the pooling of interest method the amounts of the preceding year have been restated for the purpose of comparison as if the merged company already existed.

The merger has no effect on equity and the net result for both the financial year 2015/2016 and the financial year 2016/2017. The comparative figures for 2015/2016 as included in the balance sheet and profit and loss account are similar to the figures as included in the consolidated annual accounts 2015/2016. The balance sheet and profit and loss account for the financial year 2016/2017 would be similar to the consolidated balance sheet and profit and loss account of the Group if the merger would not have taken place.

Going concern

These financial statements have been prepared on the basis of the going concern assumption. Although the company has a negative equity and working capital there is no doubt on the entity's ability to continue as a going concern in view of the intention and ability of the parent company to continue to provide financial support.

In 2013, the Company was acquired by DrReddy's Laboratories Ltd. in India. DrReddy's forecast and projections, is to use the company for the research and development of generic medicines. Thus specializing in this market.

Considering the factors above, after making enquiries, the directors have reasonable expectations that, with Parent Company support, the Company has adequate resources to continue in operation.

GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code.
Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at nominal value.

The financial statements of the company are presented in euros, which is the company's functional currency.

Changes in accounting policies

Until 31 March 2016 the company reported under IFRS. Due to the limited size and to decrease reporting burden, the company has chosen to change its reporting framework and to prepare the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. This change in accounting principles only impacts disclosure requirements and do not have any impact on equity and profit for the current and previous year.

Financial instruments

Under financial instruments the monetary assets and liabilities, such as receivables and liabilities, and the financial derivatives are included. For a description of the accounting principles of the monetary assets and liabilities, reference is made to the notes per balance sheet item.

Financial derivatives are initially recognised at fair value on the date on which a financial contract is entered into and are subsequently remeasured at fair value at each balance sheet date. Financial derivatives that do not have a quoted market price in an active market are valued at cost or lower fair value.
Any gains or losses arising from changes in fair value on financial instruments that do not qualify for hedge accounting are taken directly to the income statement.

Translation of foreign currency

The financial statements of the company are presented in euros, which is the company's functional currency.

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates at balance sheet date. Transactions in foreign currency during the financial year are recognised in the financial statements at the exchange rates at transaction date. The exchange differences are recognised in the profit and loss account as financial income or expenditure respectively.

PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairments. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life. Amortisation is calculated as a fixed percentage of cost. The useful life of the amortisation rate is evaluated at the end of each year.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and, if applicable, less impairments.
Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is recognised from the date an asset comes into use.
Tangible fixed assets of which the company have substantially all the risks and rewards incidental to ownership of the assets (financial lease agreement), are capitalised. The commitment arising from the financial lease agreement is accounted for as a liability.
The interest included on the future lease installments is charged to the profit and loss account over the term of the financial lease agreement.

Financial fixed assets

Under the financial fixed assets a deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. The deferred tax assets are valued at nominal value and have mainly a long-term character.

Inventories

Raw materials, consumables and goods for resale are stated at the lower of cost and net realizable value. The cost is based on the weighted average price. This lower net realizable value is based on basis of individual assessment of the recoverability of the inventories.

Trade and other receivables

The receivables are initially valued at its fair value, and subsequently valued at amortised cost, which is similar to the face value, after deduction of any provisions if necessary.

Liabilities

Recorded interest bearing loans and liabilities are valued at amortised cost

Current liabilities are initially valued at its fair value, and subsequently valued at amortised cost, which is similar to the face value. Accruals are valued at its face value.

PRINCIPLES FOR THE DETERMINATION OF THE RESULT

Determination of the result

The income and expenses are accounted for in the period to which they relate.

Service revenues

Revenue comprises the fair value of the sale of goods and services, and is shown net of value added tax, rebates and discounts. The revenues primarily consist of sales of services, license and other revenues and subsidies.
These revenues are recognized as follows:
(a) Service revenues
Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the specific transaction when the outcome of the transaction can be estimated reliably. Each project is divided into subprojects and the stage of completion for each subproject is assessed on the basis of the actual service provided as a proportion of the total services to be provided. Service income from Dr. Reddy's is recognised per the terms of contracts, when the related services are performed, or the agreed milestones are achieved.

(b) License and other revenues
License and other revenues include amounts earned from third parties with licenses and/or options to the company's intellectual property and for amounts received for the sale of part of the company's intellectual property. License and other revenues are recognized when earned in accordance with the substance and under the terms of the related agreements and when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably. In situations where the company has continuing performance obligations, revenues related to license fee payments are deferred and the related revenue is recognized in the period of expected performance.

(c) Income from subsidies
The WBSO ('wet ter bevordering speur- en ontwikkelingswerk') is a fiscal facility that provides subsidies to companies, knowledge centres and self-employed people who perform research and development activities (as defined in the WBSO Act). Under this Act, a portion of the labour costs of employees directly involved in research and development can be deducted from the regular payment of payroll taxes and social security contributions. Subsidies relating to labour costs (WBSO) are deferred and recognized in the income statement as negative labour costs over the period necessary to match them with the labour costs that they are intended to compensate.

Pension expenses

In the financial statements the pension obligation is presented based on the "obligation to the pension fund"-methodology.

Multi-employer plan

The pension plan is a multi-employer plans. In the pension plan is stated that the company has no obligation to pay additional pension premiums. If there is a deficit in the plan, the company has no obligation to fund the deficit, other then by paying higher future contributions. In the financial statements therefore the contributions are recognised as an expense when they are due.

Amortization/depreciation

The depreciation on tangible fixed assets is calculated by using a fixed rate on the acquisition cost.
The amortisation of intangible fixed assets is calculated by using a fixed rate on the cost of research and development costs respectively.
Gains and losses on disposal of (in)tangible fixed assets are recorded under amortization/depreciation.

Financial result

Financial income and expenses comprise interest income and expenses on loans as accounted for in the current reporting period.

Taxation

Corporate income tax expense comprises current and deferred tax. Corporate income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

PRINCIPLES FOR PREPARATION OF THE CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method.

The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered as highly liquid investments.

Cash flows in foreign currencies are translated into euros at the average weighted exchange rates at the date of the transactions. The cost of group companies acquired is presented under the cash flow from investment activities, as far as payment has been made with cash and cash equivalents. The cash and cash equivalents of the group companies acquired are deducted from the purchase cost.
Receipts and expenditures of interest, received dividends and corporate income taxes are presented under cash flow from operating activities.
Paid dividends are presented under cash flow from financing activities.

The acquisition price of the acquired group company is presented under cash flow from investing activities, for as far as the payment is done in cash.
The cash and cash equivalents of the acquired company are deducted from the acquisition price for this company.

NOTES TO THE BALANCE SHEET AS AT 31 MARCH 2017

1. Intangible fixed assets

	Development costs
	X € 1.000
Book value as at 1 April 2016	
Acquisition costs	0
Accumulated amortization	0
	0
Changes	
Mutation development costs	2.041
Amortization	0
	2.041
Book value as at 31 March 2017	
Acquisition costs	2.041
Accumulated amortization	0
	2.041

Rate of amortization	%
Development costs	5

Amortization commences from the launch of the project.

2. Tangible fixed assets

	Land and buildings	Plant and equipments	Furniture	Assets under construction and prepayments	Total
	X € 1.000	X € 1.000	X € 1.000	X € 1.000	X € 1.000
Book value as at 1 April 2016					
Acquisition costs	8.585	21.729	2.245	167	32.726
Accumulated depreciation	-3.927	-15.328	-2.026	0	-21.281
	4.658	6.400	219	167	11.444
Changes					
Investments	0	0	1	667	668
Disposals	0	0	-65	0	-65
Accumulated depreciation desinvestment	0	0	26	0	26
Transfers	0	634	49	-683	0
Depreciation/Amortization	-378	-1.802	-89	0	-2.268
Other changes	-52	-246	-11	0	-309
	-429	-1.414	-89	-16	-1.948
Book value as at 31 March 2017					
Acquisition costs	8.585	22.363	2.230	151	33.329
Accumulated depreciation	-4.356	-17.377	-2.100	0	-23.833
	4.229	4.986	130	151	9.496

Rate of depreciation

	%
Land and buildings	5
Plant and equipments	10-33
Furniture	20-33
Assets under construction and prepayments	0

	31-03-2017	31-03-2016
	X € 1.000	X € 1.000

3. Inventories

Raw materials and consumables	0	41

4. Trade and other receivables

Trade debtors

Trade debtors	272	297
Intercompany receivables	3.532	2.127
	3.804	2.424
Provision for bad debts	-75	-75
	3.729	2.349

Taxes and social securities

Corporate income tax	439	475
VAT	83	258
	522	733

Other receivables, prepayments and accrued income

Prepaid expenses	422	500
Other amounts to be received	34	42
Accrued income	99	7
	555	549

5. Cash and cash equivalents

ABN AMRO Bank N.V.	754	1.195

6. Shareholders' equity

	Issued capital	Share premium reserve	Legal and statutory reserves	Accummulated deficit	Total
	X € 1.000	X € 1.000	X € 1.000	X € 1.000	X € 1.000
Balance as at 1 April 2016	6.321	57.542	0	-69.523	-5.660
Net result for the period	0	0	0	1.352	1.352
Addition legal reserve	0	0	2.041	-2.041	0
Balance as at 31 March 2017	6.321	57.542	2.041	-70.212	-4.308

	31-03-2017	31-03-2016
	X € 1.000	X € 1.000
Issued capital		
52.673.974 ordinary shares at a par value of € 0,12	6.321	6.321

The statutory share capital amounts to € 9.600.000.

Legal and statutory reserves

Reserve for capitalised development costs	2.041	0

Proposal for profit appropriation

According to legislation the 2016/2017 result amounting to € 1.352.384 is added to the accummulated deficit. The appropriation of the 2016/2017 result has been incorporated in the financial statements.

7. Non-current liabilities

Finance lease liabilities

Financial lease	5.693	6.160

Finance lease liabilities decreased to € 6,128 (x 1.000) (2015-16, € 6,587 x (1.000)) due to scheduled repayments on the different finance lease agreements.

Lease liabilities are effectively secured by the lessor as the rights to the leased asset revert to the lessor in the event of default.

8. Current liabilities

	31-03-2017	31-03-2016
	X € 1.000	X € 1.000
Current portion of finance lease liabilities		
Financial lease	435	427

Trade creditors

Trade creditors	1.321	901

Payable to shareholders and associates

Loan from shareholder	11.277	11.235

The loans received from the shareholder hold an interest rate of 1.25% per year.
The interest is added to the loan amount and shall bear interest as from the day of adding.
The amount of interest in the intercompany loan per 31 March 2017 is € 77.

Taxes and social securities

Social securities	132	219

	31-3-2017	31-3-2016
	X € 1.000	X € 1.000
Accrued liabilities		
Accruals and deferred income	279	397
Collaterals from customers	846	866
Other current liabilities	1.421	1.765
	2.546	3.028

Off-balance sheet commitments

Contingent liabilities

Bank(er's) guarantee

Bank guarantees at 31 March 2017 amounted to € 339.534,38 (2015-2016, € 339.534,38) and equal three months of rent for the Company's office, laboratory and manufacturing facilities. A € 115.879,23 bank guarantee related to the office, laboratory and manufacturing facilities the Company has occupied since 2000 and a € 223.655,15 bank guarantee related to the new office, laboratory and manufacturing facilities the Company started occupying in 2008. Both bank guarantees will be released at the end of the rental agreements.

Capital commitments

The entity has made material capital commitments of € 25.000 at 31 March 2017 (31 March 2016: 145.000).

Long-term financial obligations

Rental commitments buildings

A significant part of the operating lease commitments relate to the monthly rental costs for the land portion of the 20-year lease contracts for the company's office, laboratory and manufacturing facilities.
This lease is regarded as a financial lease and as such included in the balance sheet.

NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR 2016/2017

9. Service revenues

The revenues decreased in 2016/2017 compared to 2015/2016 with 27,0%.

	2016/2017	2015/2016
	X € 1.000	X € 1.000
10. Service revenues		
External service revenues	290	1.711
Internal service revenues	13.927	17.767
	14.217	19.478

Internal Revenue

The Company performs services/ projects for its ultimate parent company, based on specific instructions and terms and conditions by Dr. Reddy's Laboratories Ltd.

11. Cost of raw materials and consumables

Cost of materials and work contracted out	1.499	2.249

12. Employee expenses

Wages and salaries	4.420	6.476
Social security charges	779	875
Pension expenses	294	316
Other personnel expenses	82	803
	5.575	8.470

The salaries are net of WBSO subsidies of € 753 (x 1.000) (2015-16, € 435 (x 1.000)).

Emoluments of directors and supervisory directors

The remuneration of Dr. Reddy's Research and Development B.V.(formerly Octoplus B.V.)' Board members in 2016-17 amounted to € 317 (x 1.000), (2015-16, € 743 x (1.000)), mainly due to termination of Board members that announced to leave the Company in 2015-16.

Staff

During the 2016/2017 financial year, the average number of employees in the Group , converted into full-time equivalents, amounted to 97 (2015/2016: 104).

	2016/2017	2015/2016
The breakdown is as follows:		
Management	2,0	2,0
Purchasing	4,0	5,0
Sales	31,0	38,0
Production and distribution	60,0	59,0
	97,0	104,0

	2016/2017	2015/2016
	X € 1.000	X € 1.000
13. Depreciation/Amortization		
Tangible fixed assets	2.268	2.484
Depreciation tangible fixed assets		
Land and buildings	378	429
Plant and equipments	1.801	1.953
Furniture	89	102
	2.268	2.484
14. Other operating expenses		
Other personnel expenses	509	562
Accommodation expenses	834	920
Office expenses	158	186
Selling and distribution expenses	0	35
Repair and maintenance	414	641
General expenses	781	1.120
	2.696	3.464

	2016/2017	2015/2016
	X € 1.000	X € 1.000
15. Financial income and expenses		
Intercompany loan	-142	-342
Finance leases	-639	-756
Foreign exchange	0	9
Other interest income and expenses	-10	-9
	-791	-1.098
16. Taxation		
Corporate income tax	36	-475

NOTES TO THE BALANCE SHEET AS AT 31 MARCH 2017

Signature directors

LEIDEN, 10 may 2017

A. Biswas

R. Friedrichs

R. Verrijk

OTHER INFORMATION

Provisions in the Articles of Association governing the appropriation of profit

Based on the Articles of Association the profit is at disposal of the General Meeting.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
Accountants en Adviseurs B.V.
Gedempte Zalmhaven 4E
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To: the Shareholder of Dr. Reddy's Research and Development B.V.

A. Report on the Audit of the Financial Statements

Our Opinion

We have audited the accompanying financial statements for the year ended March 31, 2017 of Dr. Reddy's Research and Development B.V., Leiden.

In our opinion the accompanying financial statements as stated from page 8 to page 28 give a true and fair view of the financial position of Dr. Reddy's Research and Development B.V. as at March 31, 2017 and of its result for year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The company financial statements comprise:

1. the company balance sheet on March 31, 2017;
2. the company profit and loss account for the year then ended; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for Our Opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Dr. Reddy's Research and Development B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Grant Thornton

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information, that consists of:

- the management board's report;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Description of responsibilities regarding the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements .

Our Responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. For further explanation on the nature and scope of an audit report and the VGBA please visit https://www.nba.nl/Engels_nietoob_2016.

Rotterdam, May 10, 2017

Grant Thornton Accountants en Adviseurs B.V.

drs. M.P. van Rijssel RA

Independent Auditors' Report

To the Members of **Dr. Reddy's Venezuela, C.A.**

We have audited the accompanying financial statements of **Dr. Reddy's Venezuela, C.A.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	-	-	1,034
Capital Work in progress		-	-	380
Deferred tax assets,net		-	-	290
Other non current assets	2.2	9	126	-
Total non current assets		**9**	**126**	**1,704**
Current assets				
Inventories	2.3	-	149	5,736
Financial assets				
Trade receivables	2.4	-	91	13,436
Cash and cash equivalents	2.5	568	1,238	17,957
Loans	2.6	1	8	-
Other current assets	2.7	70	44	1,180
Total current assets		**639**	**1,381**	**32,573**
Total assets		**648**	**1,656**	**40,013**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.8	583	583	583
Other equity				
Retained earnings		(40,872)	(40,681)	4,429
Total equity		**(40,289)**	**(40,098)**	**5,012**
Non current liabilities				
Financial Liabilities				
Borrowings	2.9	5,712	3,975	831
Current liabilities				
Financial Liabilities				
Trade payables	2.10	34,728	36,979	25,996
Other current financial liabilities	2.11	448	708	288
Other current liabilities	2.12	49	92	7,886
Total Liabilities		**35,225**	**37,779**	**34,170**
Total equity and liabilities		**648**	**1,656**	**40,013**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Venezuela, C.A.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Kolli Srinivasa Reddy
Finance Head

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Continuing operations			
Revenue from operations	2.13	169	46,680
Other Income	2.14	967	2,624
Total Income		**1,136**	**49,304**
Expenses			
Cost of raw material and components consumed		146	25,263
Employee benefits expense	2.15	992	15,095
Finance Cost	2.16	147	91
Depreciation and amortisation expense	2.17	-	293
Other expenses	2.18	42	53,491
Total expense		**1,327**	**94,233**
Loss before tax		**(191)**	**(44,929)**
Income tax expense	2.19	-	181
Loss for the year		**(191)**	**(45,110)**
Earnings per share			
Basic - Par value VEF 430 per share		(17.96)	(424,241.09)
Diluted - Par value VEF 430 per share		(17.96)	(424,241.09)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Venezuela, C.A.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Kolli Srinivasa Reddy
Finance Head

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
(Loss) / Profit before taxation	(191)	(44,929)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	-	293
Impairment of fixed assets	-	936
Interest Income	(19)	(2,643)
Allowance for sales returns	3	126
Loss on sale of fixed assets, net	-	297
Finance costs	147	91
Provision for inventory obsolescence	69	2,978
Provision for doubtful debts, net	1	105
Net foreign exchange differences	551	27,986
Operating cash flows before working capital changes	**561**	**(14,761)**
Working capital adjustments:		
Trade and other receivables and prepayments	61	14,419
Trade and other payables	(2,127)	24,273
Inventories	80	2,609
Other assets & liabilities,net	(196)	1,260
	(1,621)	**27,800**
Income tax paid	-	(8,309)
Net cash flows from operating activities	**(1,621)**	**19,491**
Net cash flows used in investing activities		
Purchase of tangible and intangible assets	-	558
Interest received	19	2,635
	19	**3,193**
Net cash flows from/ (used in) financing activities		
Proceeds from long term borrowings,net	1,744	4,347
	1,744	**4,347**
Net increase / (decrease) in cash and cash equivalents	142	27,031
Cash and cash equivalents at the beginning of the year	1,238	17,957
Effect of foreign exchange loss on cash and cash equivalents	(812)	(43,750)
Cash and cash equivalents at the end of the year	**568**	**1,238**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	568	1,238
Cash and bank balances at the end of the year	**568**	**1,238**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Venezuela, C.A.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Kolli Srinivasa Reddy
Finance Head

Place: Hyderabad
Date: 9 May 2017

Dr. Reddy's Venezuela, C.A.

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2015	**10,633**	**583**	**4,429**	**5,012**
Shares issued during the year	-	-	-	-
Loss for the period	-	-	(45,110)	(45,110)
Balance as of 31 March 2016	**10,633**	**583**	**(40,681)**	**(40,098)**
Loss for the period	-	-	(191)	(191)
Balance as of 31 March 2017	**10,633**	**583**	**(40,872)**	**(40,289)**

As per our report of even date attached

and on behalf of the Board of Directors of **Dr. Reddy's Venezuela, C.A.**

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

A Ramachandra Rao
Partner
Membership No. 9750

Kolli Srinivasa Reddy
Finance Head

Place: Hyderabad
Date: 9 May 2017

Dr. Reddy's Venezuela, C.A.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Dr. Reddy's Venezuela, C.A.
Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern
The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Related Party Transactions
a. The company has the following transactions with related parties :

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Purchases and services received from holding company/other group companies:		
Dr. Reddy's Laboratories Limited	-	12,960
Interest paid/payable to holding company/other group companies:		
Dr. Reddy's Laboratories SA	147	91

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

Particulars	As at 31 March 2017	As at 31 March 2016
Due to holding company and other group companies(included in trade payables and borrowings):		
Dr. Reddy's Laboratories Limited	34,724	35,592
Dr. Reddy's Laboratories SA	5,712	3,975

a. Current Taxes
The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes
The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.4 Provisions, Contingent Liabilities and Contingent Assets
Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Principle Adjustments made with impact of Ind AS adoption
Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.6 The company, incorporated in Venezuela, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

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

Note 2: Notes to financial statements (continued)

2.1 : Property, plant and equipment

Particulars	Gross Block				Depreciation / Amortization					Net Block	
	As at 01.04.2016	Additions	Disposals	As at 31.03.2017	As at 01.04.2016	For the year	Impairment	Disposals	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Leasehold improvments	252	-	-	252	252	-	-	-	252	-	-
Office equipment and Furniture & Fixtures	1,038	-	-	1,038	1,038	-	-	-	1,038	-	-
Total	**1,290**	**-**	**-**	**1,290**	**1,290**	**-**	**-**	**-**	**1,290**	**-**	**-**

Particulars	Gross Block				Depreciation / Amortization					Net Block	
	As at 01.04.2015	Additions	Disposals	As at 31.03.2016	As at 01.04.2015	For the year	Impairment	Disposals	As at 31.03.2016	As at 31.03.2016	As at 01.04.2015
Leasehold improvments	252	-	-	252	4	52	196	-	252	-	248
Office equipment and Furniture & Fixtures	848	227	37	1,038	62	241	740	5	1,038	-	786
Total	**1,100**	**227**	**37**	**1,290**	**66**	**293**	**936**	**5**	**1,291**	**-**	**1,034**

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

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Other non current assets			
Advance income tax, net of provision	9	18	-
Balance with statutory agencies	-	108	-
	9	**126**	**-**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Inventories			
Stock-in-trade	-	149	5,736
	-	**149**	**5,736**

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Trade receivables			
Unsecured,considered good			
Receivable from Others	-	91	13,436
	-	**91**	**13,436**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.5 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	185	71	17,957
- Deposit accounts (original maturity less than three months)	-	1,167	-
Cash on hand	383	-	-
	568	**1,238**	**17,957**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.6 : Loans and Advances			
Other advances	1	8	-
	1	**8**	**-**

Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.7 : Other current assets			
Prepaid expenses	15	11	273
Other current assets	44	10	619
Advances to employees	11	23	288
	70	**44**	**1,180**

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

2.8 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Issued equity capital			
10,633 (31 March 2016 : 10,633; 1 April 2015 : 10,633) shares of VEF 430 each	583	583	583
Subscribed and fully paid-up			
10,633 (31 March 2016 : 10,633; 1 April 2015 : 10,633) shares of VEF 430 each	583	583	583
	583	**583**	**583**

* 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 2017		As at 31 March 2016		As at 1 April 2015	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
Number of shares outstanding at the beginning of the year	10,633	583	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**	**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 2017		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares	No.of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	10,633	100%	10,633	100%	10,633	100%

Financial Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.9 : Non-current Borrowings			
From other parties			
Long term borrowings from holding company and other group companies	5,712	3,975	831
	5,712	**3,975**	**831**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.10 : Trade Payables			
Payables to holding company and other group companies	34,724	35,592	24,454
Payables to others	4	1,387	1,542
	34,728	**36,979**	**25,996**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.11 : Other current financial liabilities			
Accrued expenses	101	39	288
Capital Creditors	347	669	-
	448	**708**	**288**

Other Liabilities

2.12 : Other Current Liabilities			
Due to statutory authorities	15	13	43
Salary & Bonus Payable	14	69	-
Provision for staff benefit schemes	20	7	-
Other liabilities	-	3	421
Income Tax Payable	-	-	7,422
	49	**92**	**7,886**

Dr. Reddy's Venezuela, C.A.
Notes to the Financial Statements
(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.13 : Revenue from operations		
Sales	169	46,661
Service Income	-	19
	169	**46,680**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.14 : Other income		
Interest income		
On fixed deposits	19	2,624
Foreign exchange gain,net	948	-
	967	**2,624**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.15 : Employee benefits expense		
Salaries, wages and bonus	932	11,768
Contribution to provident and other funds	60	3,327
	992	**15,095**

	For the year 31 March 2017	For the year ended 31 March 2016
2.16 : Finance costs		
Interest on borrowings from holding company and other group companies	147	91
	147	**91**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.17 : Depreciation and amortisation expense		
Depreciation of Property,plant and equipment	-	293
	-	**293**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.18 : Other expenses		
Legal and professional	39	765
Travelling and conveyance	36	724
Rates and taxes	4	669
Rent	183	331
Insurance	2	70
Other general expenses	(222)	50,635
Loss on sale of assets	-	297
	42	**53,491**

	For the year 31 March 2017	For the year ended 31 March 2016
2.19 : Tax expense		
Current tax expense /(benefit)	-	(47)
Deferred tax expense	-	228
	-	**181**

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

Note 2: Notes to financial statements (continued)

2.20 : 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.

Update during the year ended 31 March 2017

During the year ended 31 March 2017, the Company received approvals from the Venezuelan government to repatriate U.S.$0.4 Million at the preferential rate of 10 VEF per U.S.$1.00. As of 31 March 2017, the DICOM rate was VEF 707.95 per U.S.$1.00. Notwithstanding the ongoing uncertainty, the Company continues to actively engage with the Venezuelan Government and seek approval to repatriate funds at the preferential rate.

Independent Auditors' Report

To the Members of **DRANU, LLC**

We have audited the accompanying financial statements of **DRANU, LLC**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

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

	Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Current assets				
Financial assets				
Cash and cash equivalents	2.1	333	360	42,807
Total current assets		**333**	**360**	**42,807**
Total assets		**333**	**360**	**42,807**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.2	359,824	359,824	359,824
Other equity				
Other reserves		4,946	4,953	3,648
Retained earnings		(364,437)	(364,417)	(320,665)
Total equity		**333**	**360**	**42,807**
Total equity and liabilities		**333**	**360**	**42,807**
Significant accounting policies	1			

The accompanying notes are 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 of **DRANU LLC**

PSRVV Surya Rao
Partner
Membership No. 202367

Cartikeya Reddy
Director

Place: Hyderabad
Date: 9 May 2017

DRANU, LLC

Statement of Profit and Loss

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

	Note	For the year ended 30 November 2016 to 31 March 2017	For the year ended 31 March 2016
Total Income		**-**	**-**
Expenses			
Other expenses	2.3	20	43,751
Total expense		**20**	**43,751**
Loss before tax		**(20)**	**(43,751)**
Income tax expense		-	-
Loss for the year		**(20)**	**(43,751)**
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

PSRVV Surya Rao
Partner
Membership No. 202367

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

Cartikeya Reddy
Director

Place: Hyderabad
Date: 9 May 2017

DRANU, LLC
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2017	For the year ended 31 March 2016
Operating activities		
Loss before taxation	(20)	(43,751)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	-	-
Foreign exchange gain/loss,net	(7)	1,304
Operating cash flows before working capital changes	**(27)**	**(42,447)**
Working capital adjustments:		
Increase in other assets and liabilities	-	-
	(27)	**(42,447)**
Income tax paid	-	-
Net cash flows from operating activities	**(27)**	**(42,447)**
Net cash flows used in investing activities	**-**	**-**
Net cash flows from/ (used in) financing activities	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	(27)	(42,447)
Cash and cash equivalents at the beginning of the year	360	42,807
Cash and cash equivalents at the end of the year	**333**	**360**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	333	360
Cash and bank balances at the end of the year	**333**	**360**

The accompanying notes are 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 of **DRANU LLC**

PSRVV Surya Rao
Partner
Membership No. 202367

Cartikeya Reddy
Director

Place: Hyderabad
Date: 9 May 2017

DRANU, LLC

Statement of Changes in Equity

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

2.3 Total equity

For the year ended 31 March, 2017

Particulars	Share Capital		Other Equity		Total Equity
	Shares	Amount	Other components of equity(OCI)	Retained Earnings	
Balance as of 1 April 2015	**-**	**359,824**	**3,648**	**(320,665)**	**42,807**
Foreign currency translation adjustments	-	-	1,305	-	1,305
Loss for the period	-	-	-	(43,751)	(43,751)
Balance as of 31 March 2016	**-**	**359,824**	**4,953**	**(364,416)**	**360**
Foreign currency translation adjustments		-	(7)		(7)
Loss for the period		-	-	(20)	(20)
Balance as of 31 March 2017	**-**	**359,824**	**4,946**	**(364,436)**	**333**

As per our report of even date attached

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

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

Cartikeya Reddy
Director

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.4 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Note 1: Significant Accounting Policies & Notes to Accounts (Continued)

Provisions
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring
A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights
Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis.

1.2 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.3 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.4 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

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

Note 2: Notes to the financial statements

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.1 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	333	360	42,807
	333	**360**	**42,807**

2.2 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
Authorised capital of US $ 2,085,900*	359,824	359,824	359,824
Issued equity capital			
Issued capital of US $ 2,085,900*	359,824	359,824	359,824
Subscribed and fully paid-up			
Issued capital of US $ 2,085,900*	359,824	359,824	359,824
	359,824	**359,824**	**359,824**

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

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.3 : Other expenses		
Professional and consulting charges	-	277
Other general expenses	20	43,474
	20	**43,751**

Independent Auditor's Report

To the Members of DRES Energy Private Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of DRES Energy Private Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. 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 the preparation of these financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act. 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

3. Our responsibility is to express an opinion on these financial statements based on our audit.

4. 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.

5. 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 these financial statements are free from material misstatement.

6. 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 the 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.

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

Opinion

8. 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 including Ind AS specified under Section 133 of the Act, of the state of affairs (financial position) of the Company as at 31 March 2017, and its loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matter

9. The Company had prepared separate sets of statutory financial statements for the year ended 31 March 2016 in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) on which we issued auditor's reports to the shareholders of the Company dated 21 September 2016. These financial statements have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have also been audited by us. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure I, a statement on the matters specified in paragraphs 3 and 4 of the Order.

11. Further to our comments in Annexure I, as required by Section 143(3) of the Act, we report that:

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

b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

c) the financial statements dealt with by this report are in agreement with the books of account;

d) in our opinion, the aforesaid financial statements comply with Ind AS specified under Section 133 of the Act;

e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164(2) of the Act;

f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 30 June 2017as per Annexure II expressed unqualified opinion;

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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

   i. the Company does not have any pending litigation which would impact its financial position;

   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;

   iv. the Company, as detailed in Note 18 to the financial statements, has made requisite disclosures in these financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on the audit procedures performed and taking into consideration the information and explanations given to us, in our opinion, these are in accordance with the books of account maintained by the Company.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sumesh E S**
Partner
Membership No.: 206931
Chennai
30 June 2017

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) The Company does not hold any immovable property (in the nature of 'fixed assets'). Accordingly, the provisions of clause 3(i)(c) of the Order are not applicable.

(ii) The Company does not have any inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.

(iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's products. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

(vii)(a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) There are no dues in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax that have not been deposited with the appropriate authorities on account of any dispute.

(viii) The Company has not defaulted in repayment of loans or borrowings to any bank or financial institution or government during the year. The Company did not have any outstanding debentures during the year.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable.

(x) No fraud by the Company or on the company by its officers or employees has been noticed or reported during the period covered by our audit.

(xi) The provisions of Section 197 of the Act read with Schedule V to the Act are not applicable to the company since the company is not a public company as defined under Section 2(71) of the Act. Accordingly, provisions of clause 3(xi) of the Order are not applicable.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.

(xiv) During the year, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.

(xv) In our opinion, the company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.

(xvi) The company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sumesh E S**
Partner
Membership No.: 206931

Chennai
30 June 2017

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the financial statements of DRES Energy Private Limited ("the Company") as at and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting ("IFCoFR") of the Company as at that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note of Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('the framework'). 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 the Company's 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 Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ("the ICAI") and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the ICAI. 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 IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, 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.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR 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 IFCoFR include 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

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the framework.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sumesh E S**
Partner
Membership No.: 206931

Chennai
30 June 2017

DRES Energy Private Limited
Balance sheet
(All amounts are in Indian Rupees, unless otherwise stated)

	Notes	As at 31 March 2017	As at 31 March 2016
Assets			
Non-current assets			
Property, plant and equipment	7	56,53,25,612	-
Capital work-in-progress	7	37,75,84,899	6,91,870
Other tax assets		25,147	4,266
Other non-current assets	10	4,19,88,065	-
		98,49,23,723	**6,96,136**
Current assets			
Financial assets			
- Cash and cash equivalents	8	26,65,355	16,76,578
- Bank balances other than cash and cash equivalents	8	32,02,460	30,16,335
- Other financial assets	9	24,812	22,063
Other current assets	10	4,83,671	-
		63,76,298	**47,14,976**
Total		**99,13,00,021**	**54,11,112**
Equity and liabilities			
Equity			
Equity share capital	11	33,00,00,000	1,00,00,000
Retained earnings		(68,81,648)	(47,10,173)
		32,31,18,352	**52,89,827**
Non-current liabilities			
Financial liabilities			
- Borrowings	12	58,92,46,675	-
		58,92,46,675	**-**
Current liabilities			
Financial liabilities			
- Other financial liabilities	13	7,89,34,994	1,21,285
		7,89,34,994	**1,21,285**
Total		**99,13,00,021**	**54,11,112**

Notes 1 to 20 form an integral part of these financial statements

This is the balance sheet referred to in our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sumesh E S**
Partner
Membership No: 206931

Place: Chennai
Date: 30.06.2017

For and on behalf of the Board of Directors of
DRES Energy Private Limited

Nandakumar R
Director
DIN: 03313824

Nandeesh Kumar HR
Director
DIN: 05251969

Place: Bangalore
Date: 30.06.2017

DRES Energy Private Limited
Statement of profit and loss
(All amounts are in Indian Rupees, unless otherwise stated)

	Notes	Year ended 31 March 2017	Period ended 31 March 2016
Revenue from operations		-	-
Other income	14	2,51,615	42,664
Total income		**2,51,615**	**42,664**
Expenses			
Finance costs	15	5,08,464	-
Depreciation and amortisation expense	7	3,96,915	-
Other expenses	17	15,17,711	47,52,837
Total expenses		**24,23,090**	**47,52,837**
Loss before tax		**(21,71,475)**	**(47,10,173)**
Tax expense/(credit)			
Current tax	19	-	-
Deferred tax	19	-	-
		-	**-**
Loss for the period		**(21,71,475)**	**(47,10,173)**
Total other comprehensive income, net of tax		**-**	**-**
Total comprehensive income for the period		**(21,71,475)**	**(47,10,173)**
Earnings per equity share			
- Face value per share		10.00	10.00
- Weighted average number of equity shares (Nos)		1,99,04,110	3,67,978
- Basic and diluted		(0.11)	(12.80)

Notes 1 to 20 form an integral part of these financial statements

This is the statement of profit and loss referred to in our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sumesh E S**
Partner
Membership No: 206931

Place: Chennai
Date: 30.06.2017

For and on behalf of the Board of Directors of
DRES Energy Private Limited

Nandakumar R
Director
DIN: 03313824

Nandeesh Kumar HR
Director
DIN: 05251969

Place: Bangalore
Date: 30.06.2017

DRES Energy Private Limited
Statement of changes in equity
(All amounts are in Indian Rupees, unless otherwise stated)

Particulars	Equity share capital	Retained earnings	Accumulated other comprehensive income	Total
Balances at 31 March 2015	**-**	**-**	**-**	**-**
Equity shares issued during the year	1,00,00,000	-	-	1,00,00,000
Profit for the year	-	(47,10,173)	-	(47,10,173)
Other comprehensive income	-	-	-	-
Balances at 31 March 2016	**1,00,00,000**	**(47,10,173)**	**-**	**52,89,827**
Equity shares issued during the year	32,00,00,000	-	-	32,00,00,000
Profit for the year	-	(21,71,475)	-	(21,71,475)
Other comprehensive income	-	-	-	-
Balances at 31 March 2017	**33,00,00,000**	**(68,81,648)**	**-**	**32,31,18,352**

Notes 1 to 20 form an integral part of these financial statements

This is the statement of changes in equity referred to in our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sumesh E S**
Partner
Membership No: 206931

Place: Chennai
Date: 30.06.2017

For and on behalf of the Board of Directors of
DRES Energy Private Limited

Nandakumar R
Director
DIN: 03313824

Nandeesh Kumar HR
Director
DIN: 05251969

Place: Bangalore
Date: 30.06.2017

DRES Energy Private Limited
Statement of cashflows
(All amounts are in Indian Rupees, unless otherwise stated)

	Year ended 31 March 2017	Period ended 31 March 2016
Cash flows from operating activities		
Loss before tax	**(21,71,475)**	**(47,10,173)**
Adjustments		
Depreciation and amortisation expense	3,96,915	-
Interest income	(2,51,615)	(42,664)
Interest expenses	5,08,464	-
Operating profit before working capital changes	**(15,17,711)**	**(47,52,837)**
Working capital adjustments:		
Increase in trade payables	-	-
Increase in other financial liabilities	7,88,13,709	1,21,285
(Increase) in other assets	(4,83,671)	-
Cash from used in operating activities	**7,68,12,327**	**(46,31,552)**
Direct taxes paid, net	(20,881)	(4,266)
Net cash (used in) operating activities	**7,67,91,446**	**(46,35,818)**
Cash flow from investing activities		
Purchase of assets (including capital work-in-progress and capital advances)	(97,81,25,266)	(6,91,870)
Interest received	2,48,866	20,601
Movement in bank deposits	(1,86,125)	(30,16,335)
Net cash from used in investing activities	**(97,80,62,525)**	**(36,87,604)**
Cash flow from financing activities		
Proceeds from long-term borrowings	59,51,00,000	-
Proceeds from issue of equity shares	32,00,00,000	1,00,00,000
Interest paid to banks	(1,28,40,144)	-
Net cash generated from financing activities	**90,22,59,856**	**1,00,00,000**
Net cash flows during the period	9,88,777	16,76,578
Cash and cash equivalents at the beginning of the period	16,76,578	-
Cash and cash equivalents at the end of the period	**26,65,355**	**16,76,578**
Cash and cash equivalents comprise of:		
Cash on hand	7,460	7,460
Balances with banks in current accounts	26,57,895	16,69,118
Cash and cash equivalents as per note 8	**26,65,355**	**16,76,578**

Notes 1 to XX form an integral part of these financial statements

This is the statement of cashflows referred to in our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sumesh E S**
Partner
Membership No: 206931

Place: Chennai
Date: 30.06.2017

For and on behalf of the Board of Directors of
DRES Energy Private Limited

Nandakumar R
Director
DIN: 03313824

Nandeesh Kumar HR
Director
DIN: 05251969

Place: Bangalore
Date: 30.06.2017

1 Background

DRES Energy Private Limited ("the Company") was incorporated as a private limited company under the Companies Act, 2013. The Company is domiciled in India and has its registered office in Bengaluru, Karnataka, India.

The Company is jointly promoted by ES Green Power Private Limited and Dr. Reddy's Labaoratories Limited as a joint venture to develop a solar power plant and generate solar PV power. The ultimate holding company of the Company is Emmvee Photovoltaic Power Private Limited.

The Company was incorporated on 06 October 2015 and accordingly the balance sheet comparitives at 31 March 2015 are not applicable. Further, the figures for the period ended 31 March 2016 are from the date of incorporation on 06 October 2015 to 31 March 2016 and hence are not strictly comparable with current period numbers which are for the year ended 31 March 2017.

The financial statements are approved for issue by the Company's Board of Directors on 30 June 2017.

2 Summary of significant accounting policies

a) Basis of preparation and presentation of financial statements

The financial statements are prepared under the historic cost convention on the accrual basis except for certain financial instruments which are measured at fair values, in accordance with Indian Accounting Standards (Ind AS). The Ind AS are prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The Company has adopted all the IndAS standards and the adoption was carried out in accordance with IndAS 101 First time adoption of Indian Accounting Standards. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP. Reconciliations and descriptions of the effect of the transition has been summarized in note 20.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The management evaluates all recently issued or revised accounting standards on an ongoing basis.

b) Use of estimates

The preparation of financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and reported amounts of income and expenses during the year. Significant estimates include provision for income taxes, sufficiency of future taxable profits, and estimated useful life of tangible and intangible assets. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future years.

Critical accounting estimates are as follows:

i. Income taxes

The Company operates under a single tax jurisdiction i.e. India. Significant judgements are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions.

ii. Deferred tax assets

Deferred tax assets are recognised to the extent there is sufficient future taxable profits against which these assets can be used. Significant judgements are involved in determining the availability of future taxable profits.

iii. Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Company.The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life.The useful lives and residual values of company's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end.The lives are based on historical experience of the ultimate holding company with similar assets as well as anticipation of future events,which may impact their life, such as changes in technology.

c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income is recognized using the effective interest rate method. Interest income is included under the head “other income” in the statement of profit and loss.

c) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labor, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

iii. Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method, and is generally recognised in the statement of profit and loss. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

Asset category	Useful lives estimated by the management (Years)
Building	25
Plant and machinery (power plants)	25

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Based on technical evaluation and consequent advice, the management believes that its estimates of useful lives as given above best represent the period over which management expects to use these assets.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

e) Financial instruments

i. Initial recognition

The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are accounted for at trade date.

ii. Subsequent measurement of non-derivative financial instruments

Financial assets carried at amortised cost

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cashflows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial assetgive rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.The Company has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model. Further, in cases where the Company has made an irrevocable election based on its business model, for its investments which are classified as equity instruments,the subsequentchanges in fair value are recognized in other comprehensive income.

Financial assets at fair value through profit or loss

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

Financial liabilities

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

f) Impairment

i. Financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the12-month ECL ,unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL.The amount of expected credit losses(or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognized as an impairment gain or loss in profit or loss.

ii. Non-financial assets

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e.the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

g) Income taxes

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

g) Income taxes (continued)

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liability relate to the same taxable entity and the same taxation authority.

Deferred tax assets/liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that it is probable that sufficient future taxable income will be available against which such deferred tax assets can be realized.

At each reporting date, the company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

h) Earnings per equity share

Basic earnings per equity share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per equity share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares, if any.

i) Leases

i. Determining whether an arrangement contains a lease

At inception of an arrangement, it is determined whether the arrangement is or contains a lease.

At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

ii. Assets held under leases

Leases of property, plant and equipment that transfer to the Company substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to similar owned assets.

Assets held under leases that do not transfer to the Company substantially all the risks and rewards of ownership (i.e. operating leases) are not recognised in the Company's balance sheet.

i) Leases (continued)

iii) Lease payments

Payments made under operating leases are generally recognised in profit or loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge 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.

j) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined by discounting the expected future cashflows at a pre-taxrate that reflects current market assessments of the time value of money and the risks specific to the liability.

A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources. The Company does not have any contingent liabilities as at March 2016 and 2017.

k) Cash flow statement

Cash flows are reported using the indirect method, whereby profit / loss before extraordinary items and 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 flows from operating, financing and investing activities of the Company are segregated based on the available information. Cash and Cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand, including cheques in hand and short-term investments with an original maturity of three months or less.

l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective asset. All other borrowing costs are expended in the period they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

m) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segments and assess their performance.

As the Company has not commenced commercial operations, there are no identifiable operating segments.

n) Recent accounting pronouncements

i) Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment.' These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of cash flows' and IFRS 2, 'Share-based payment,' respectively. The amendments are applicable to the company from April 1, 2017.

Amendment to Ind AS 7:

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

(All amounts are in Indian Rupees, unless otherwise stated)

3 First-time adoption of Ind-AS

These financial statements of the Company for the year ended 31 March 2017 have been prepared in accordance with IndAS. For the purposes of transition to IndAS, the Company has followed the guidance prescribed in IndAS 101-First Time adoption of Indian Accounting Standard, with 01 April 2015 as the transition date and IGAAP as the previous GAAP

The transition to IndAS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 March 2017 and the comparative information. An explanation of how the transition from previous GAAP to IndAS has affected the Company's balance sheet, statement of profit and loss, is set out in note 4. As the Company was incorporated on 06 October 2015, there was no requirement for the Company to adopt any of the mandatory or voluntary exepmtions.

4 Reconciliations

a) Reconciliation of equity as at 31 March 2016 as previously reported under IGAAP to Ind AS

There were no GAAP differences and accordingly, the balances reported under IGAAP and the balances under IndAS are the same.

b) Reconciliation of statement of profit and loss for the year ended 31 March 2016 as previously reported under IGAAP to Ind AS

There were no GAAP differences and accordingly, the loss reported under IGAAP and the loss under IndAS are the same.

5 Events after the reporting period

No adjusting or significant non-adjusting events have occurred between the 31 March 2017 reporting date and the date of authorisation.

6 Commitments, contingent liabilities and contingent assets

		As at 31 March 2017	As at 31 March 2016
a)	**Capital commitments**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for	13,89,99,279	-
b)	**Contingent liabilities**		

c) There were no contingent assets as at 31 March 2017 and 31 March 2016.

(All amounts are in Indian Rupees, unless otherwise stated)

7 Property, plant and equipment and Capital work-in-progress

	Buildings	Plant and machinery	Capital work-in-progress	Total
Gross carrying value as at 31 March 2015	-	-	-	-
Additions	-	-	6,91,870	6,91,870
Gross carrying value as at 31 March 2016	**-**	**-**	**6,91,870**	**6,91,870**
Additions	1,25,11,208	55,28,59,659	37,72,44,689	94,26,15,556
Transfers on capitalisation	-	3,51,660	(3,51,660)	-
Gross carrying value as at 31 March 2017	**1,25,11,208**	**55,32,11,319**	**37,75,84,899**	**94,33,07,426**
Accumulated depreciation as at 31 March 2015	-	-	-	-
Charge for the year	-	-	-	-
Accumulated depreciation as at 31 March 2016	**-**	**-**	**-**	**-**
Charge for the year	6,969	3,89,946	-	3,96,915
Accumulated depreciation as at 31 March 2017	**6,969**	**3,89,946**	**-**	**3,96,915**
Carrying value as at 31 March 2016	**-**	**-**	**6,91,870**	**6,91,870**
Carrying value as at 31 March 2017	**1,25,04,239**	**55,28,21,373**	**37,75,84,899**	**94,29,10,511**

Notes:

a) Property, plant and equipment and capital work-in-progress are subject to security restrictions (Refer note 12).

	As at 31 March 2017	As at 31 March 2016
8 Cash and bank balances		
Cash and cash equivalents		
Cash on hand	7,460	7,460
Balances with banks in current accounts	26,57,895	16,69,118
	26,65,355	**16,76,578**
Other bank balances		
Deposits held as margin money towards bank guarantees (restricted cash)	32,02,460	30,16,335
	32,02,460	**30,16,335**
	58,67,815	**46,92,913**
9 Other financial assets		
Interest accrued but not due on bank deposits	24,812	22,063
	24,812	**22,063**
10 Other assets		
Non-current		
Capital advances	4,19,88,065	-
	4,19,88,065	**-**
Current		
Prepaid expenses	4,83,671	-
	4,83,671	**-**

11	**Share capital**	**As at 31 March 2017**		**As at 31 March 2016**	
		Number	**Amount**	**Number**	**Amount**
	Authorised				
	Equity shares of □ 10 each	3,30,00,000	33,00,00,000	3,30,00,000	33,00,00,000
		3,30,00,000	**33,00,00,000**	**3,30,00,000**	**33,00,00,000**
	Issued, subscribed and fully paid up				
	Equity shares of □ 10 each	3,30,00,000	33,00,00,000	10,00,000	1,00,00,000
		3,30,00,000	**33,00,00,000**	**10,00,000**	**1,00,00,000**

		As at 31 March 2017		**As at 31 March 2016**	
a)	**Reconciliation of equity share capital**	**Number**	**Amount**	**Number**	**Amount**
	Balance at the beginning of the year	10,00,000	1,00,00,000	-	-
	Add : Issued during the year	3,20,00,000	32,00,00,000	10,00,000	1,00,00,000
	Balance at the end of the year	**3,30,00,000**	**33,00,00,000**	**10,00,000**	**1,00,00,000**

b)	**Shareholders holding more than 5% of the shares**	**Number**	%	**Number**	%
	Equity shares of □ 10 each				
	ES Green Power Private Limited	2,44,20,000	74.00%	7,40,000	74.00%
	Dr. Reddy's Laboratories Limited	85,80,000	26.00%	2,60,000	26.00%

c)	**Shares held by the holding company**	**Number**	%	**Number**	%
	Equity shares of □ 10 each				
	ES Green Power Private Limited	2,44,20,000	74.00%	7,40,000	74.00%

d) Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having par value of □ 10 each. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the equity shareholders will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

e) There were no shares issued (31 March 2016: Nil) for consideration other than cash during the period of five years immediately preceding the reporting date.

		As at 31 March 2017	**As at 31 March 2016**
12	**Borrowings**		
	Secured		
	Term loans		
	From Indian Renewable Energy Development Agency Limited (IREDA)	58,92,46,675	-
		58,92,46,675	**-**

a) Terms of interest, security and repayment of long term loans from IREDA

In July 2016, the Company had availed a loan to finance the 13.40 MW AC Side Captive Solar Power PV power project ('the project') located in Telengana. The loan carries an interest rate of 10.70% and is repayable in quarterly installments within a period of 14 years excluding the construction period and grace period of 5 months and 1 year respectively.

The loan is secured by:

i) Mortgage of all immovable properties of the project.
ii) Hypothecation of solar movable projects, both existing and future for the project.
iii) Trust and retention account with one of the scheduled commercial banks.
iv) Pledge of 51% of the shares of the Company till the currency of the loan.

b) There is no default as on the balance sheet date in the repayment of borrowings and interest thereon.

(All amounts are in Indian Rupees, unless otherwise stated)

		As at 31 March 2017	As at 31 March 2016
13	**Other current financial liabilities**		
	Capital creditors	7,66,65,253	-
	Accrued expenses	6,30,000	1,10,985
	Statutory liabilities	16,39,741	10,300
		7,89,34,994	**1,21,285**

Based on the information available with the Company, as at 31 March 2017, there are no suppliers who are registered as micro and small enterprises under the provisions of the Micro, Small and Medium Enterprises Development Act, 2006.

		Year ended 31 March 2017	Period ended 31 March 2016
14	**Other income**		
	Interest on bank deposits	2,51,615	42,664
		2,51,615	**42,664**
15	**Finance costs**		
	Interest expense on loans measured at amortised cost	5,08,464	-
		5,08,464	**-**
16	**Other expenses**		
	Printing and stationery	-	8,369
	Rent	5,25,000	-
	Rates and taxes	6,41,880	31,33,068
	Legal and professional charges	1,03,000	14,05,279
	Payments to auditors	1,15,000	1,15,000
	Traveling and conveyance expenses	1,19,667	43,778
	Miscellaneous expenses	13,164	47,343
		15,17,711	**47,52,837**

17 Obligations on long-term, non-cancellable operating leases

The lease rentals charged during the period is as under:

	Year ended 31 March 2017	Period ended 31 March 2016
Rent	5,25,000	-

(All amounts are in Indian Rupees, unless otherwise stated)

18 Disclosure on specified bank notes

	SBNs*	Other denomination	Total
Closing cash in hand as on 08 November 2016	**-**	7,460	**7,460**
Add: Permitted receipts	-	-	**-**
Less: Permitted payments	-	-	**-**
Less: Deposit in banks#	-	-	**-**
Closing cash in hand as on 30 December 2016	-	7,460	7,460

* For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8th November, 2016.

19 Income taxes

Income tax expense in the statement of profit and loss comprises:

	Year ended 31 March 2017	Period ended 31 March 2016
Current tax	-	-
Deferred tax	-	-
	-	**-**

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes is summarized below:

	Year ended 31 March 2017		Period ended 31 March 2016	
Loss before income taxes		(21,71,475)		(47,10,173)
Tax at enacted tax rates in India	29.87%	(6,48,620)	30.90%	(14,55,443)
Losses for which no deferred tax asset was recognised	(29.87%)	6,48,620	(30.90%)	14,55,443
Effective tax rate	**-**	**-**	**-**	**-**

Deferred tax assets have not been recognised in respect of the tax losses, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

20 Related parties

a) Names of related parties

Name	Relationship	Nature
Emmvee Photovoltaic Power Private Limited	Ultimate holding company	Control of the Company
ES Green Power Private Limited	Holding company	Control of the Company
Dr. Reddy's Laboratories Limited	Shareholder	Significant influence over the Company

b) Transactions with related parties

Nature of transaction	Name of the party	Year ended 31 March 2017	Period ended 31 March 2016
ES Green Power Private Limited	Issue of equity share capital	1,70,20,000	74,00,000
Dr. Reddy's Laboratories Limited	Issue of equity share capital	59,80,000	26,00,000
Emmvee Photovoltaic Power Private Limited	Reimbursement of expenses	17,736	14,36,341

(All amounts are in Indian Rupees, unless otherwise stated)

20 Financial instruments

a) Financial intruments by category

The carrying value and fair value of financial instruments by categories as of 31 March 2017 were as follows:

Particulars	Amortised cost	Fair value through profit or loss		Fair value through OCI		Total carrying value	Total fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
Assets:							
Cash and cash equivalents[1]	26,65,355	-	-	-	-	26,65,355	26,65,355
Bank balances other than cash and cash equivalents[1]	32,02,460	-	-	-	-	32,02,460	32,02,460
Other financial assets[1]	24,812	-	-	-	-	24,812	24,812
	58,92,627	**-**	**-**	**-**	**-**	**58,92,627**	
Liabilities							
Borrowings[2]	58,92,46,675	-	-	-	-	58,92,46,675	59,51,00,000
Other financial liabilities[1]	7,89,34,994	-	-	-	-	7,89,34,994	7,89,34,994
	66,81,81,669	**-**	**-**	**-**	**-**	**66,81,81,669**	

The carrying value and fair value of financial instruments by categories as of 31 March 2016 were as follows:

Particulars	Amortised cost	Fair value through profit or loss		Fair value through OCI		Total carrying value	Total fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
Assets:							
Cash and cash equivalents[1]	16,76,578	-	-	-	-	16,76,578	16,76,578
Bank balances other than cash and cash equivalents[1]	30,16,335	-	-	-	-	30,16,335	30,16,335
Other financial assets[1]	22,063	-	-	-	-	22,063	22,063
	47,14,976	**-**	**-**	**-**	**-**	**47,14,976**	
Liabilities							
Other financial liabilities[1]	1,21,285	-	-	-	-	1,21,285	1,21,285
	1,21,285	**-**	**-**	**-**	**-**	**1,21,285**	

The fair value of the financial assets and liabilities are included at the price that would be received to sell an asset or paid to transfer a liability (i.e. a exit price) in an ordinary transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values.

1. Cash and short-term deposits, trade receivables, trade payables, and other borrowings like short-term loans, current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
2. The fair value of loans from banks and others is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities.

b) Fair value measurement hierarchy

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability.

The Company does not hold any assets or liabilities which must be measured using the fair value hierarchy and related valuation methodologies.

(All amounts are in Indian Rupees, unless otherwise stated)

c) Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The Company's senior management ensures that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors review and agree policies for managing each of these risks, which are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

Interest rate sensitivity

The following table illustrates the sensitivity of interest paid on borrowings to a reasonably possible change in interest rates of +/- 1% for the year ended 31 March 2017 (31 March 2016: No impact as there were no borrowings). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Interest rate	Year ended 31 March 2017	Period ended 31 March 2016
Impact on interest on borrowings			
Interest on borrowings increases by	**+1%**	25,92,965	-
Interest on borrowings (decreases) by	**-1%**	(25,92,965)	-

Although there will be an impact on the interest on borrowings, there will be no major impact on the earnings or the equity as the interest cost for the period has been capitalised.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company does not have any exposure to the risk of changes in foreign exchange rates.

Credit risk

Credit risk refers to the risk of default on its obligation by the counter party resulting in a financial loss. The Company has not yet commenced commercial operations and hence there is no significant exposure to credit risks.

Liquidity risk

Liquidity risk is that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that there is a shortfall in available funds. However, the Company has borrowing facilities which are sanctioned but not yet utilised which will help the Company meet the current requirements.

The following is an analysis of the group contractual undiscounted cash flows payable under financial liabilities at 31 March 2017 and 31 March 2016:

As at 31 March 2017

	Within 3 months	3-6 months	6 months- 1 year	1-5 years	Later than 5 years	Total
Borrowings	-	-	-	58,92,46,675	-	58,92,46,675
Other current financial liabilities	7,89,34,994	-	-	-	-	7,89,34,994
Total	**7,89,34,994**	**-**	**-**	**58,92,46,675**	**-**	**66,81,81,669**

As at 31 March 2017

	Within 3 months	3-6 months	6 months- 1 year	1-5 years	Later than 5 years	Total
Other current financial liabilities	1,21,285	-	-	-	-	1,21,285
Total	**1,21,285**	**-**	**-**	**-**	**-**	**1,21,285**

(All amounts are in Indian Rupees, unless otherwise stated)

Capital management

Capital includes equity attributable to the equity holders of the parent and debt less cash and cash equivalents.

The Group's capital management objectives include, among others:

- Ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value
- Ensure Group's ability to meet both its long-term and short-term capital needs as a going concern
- To provide an adequate return to shareholders

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 March 2017 and 2016.

The Group maintains a mixture of cash and cash equivalents, long-term debt and short-term committed facilities that are designed to ensure the Group has sufficient available funds for business requirements. There are no imposed capital requirements on Group or entities, whether statutory or otherwise.

The Capital for the reporting periods under review is summarised as follows:

	31 March 2017	31 March 2016
Total equity	32,31,18,352	52,89,827
Less: Cash and cash equivalents	(26,65,355)	(16,76,578)
Capital	**32,04,52,997**	**36,13,249**
Total equity	32,31,18,352	52,89,827
Add: Borrowings	58,92,46,675	-
Overall financing	**91,23,65,027**	**52,89,827**
Capital to overall financing ratio	**0.35**	**0.68**

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sumesh E S**
Partner
Membership No: 206931

Place: Chennai
Date: 30.06.2017

For and on behalf of the Board of Directors of
DRES Energy Private Limited

Nandakumar R
Director
DIN: 03313824

Nandeesh Kumar HR
Director
DIN: 05251969

Place: Bangalore
Date: 30.06.2017

Board's Report

Dear Members,

Your Directors present the 30th Board's Report of the Company for the year ended 31 March 2017.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2016-17 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2017	31 March 2016
Profit/(Loss) for the period after taxation	(1,600)	(20,121)
Balance brought forward	(760,236)	(740,115)
Balance carried forward to Balance Sheet	(761,836)	(760,236)

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 2017.

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 66,00,00,000 (Rupees Sixty Six Crores only) divided into 6,60,00,000 (Six Crores Sixty Lakhs only) Equity Shares of Rs. 10/- each to Rs. 77,00,00,000 (Rupees Seventy Seven Crores only) divided into 7,70,00,000 (Seven Crores Seventy Lakhs only) Equity Shares of Rs. 10/- each by further creation of 1,10,00,000 (One Crore Ten Lakhs) Equity Shares of Rs.10/- each ranking pari passu in all respect with the existing equity shares.

Further, the Company has allotted 1,00,00,000 (One Crore) fully paid up equity shares of the Company at face value of Rs. 10/- each amounting to Rs. 10,00,00,000/-(Rs. Ten Crores only) to Dr. Reddy's Laboratories Limited(holding company). The paid up capital of the Company as on 31 March 2017 is Rs.76,00,00,000 (Rupees Seventy Six Crores only) divided into 7,60,00,000 (Seven Crores Sixty Lakhs only) Equity Shares of Rs.10/-.

During the year under review, the Board has approved transfer of 100% shares of your Company from Dr. Reddy's Laboratories Limited (DRL), to Idea2Enterprises (India) Private Limited, another wholly owned subsidiary of DRL. Consequently, your Company has become a wholly owned subsidiary of Idea2Enterprises (India) Private Limited.

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 between the end of the financial year of the Company to which the financial statements relate and the date of this report

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

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

Number of Board meetings

The Company's Board met 6 times during the year: 10 May 2016, 8 June 2016, 2 August 2016, 14 September 2016, 21 October 2016 and 1 February 2017.

Board of Directors and Key Managerial Personnel

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

The Board of Directors at its meeting held on 1 February 2017, appointed the following officials as Key Managerial Personnel (KMP) of the Company, in compliance with Section 203(1) of the Companies Act, 2013:

1. Mr. V Narayana Reddy - Chief Executive Officer (CEO)
2. Mr. Sujit Kumar Mahato - Chief Financial Officer (CFO)
3. Mr. Amit Agarwal - Company Secretary (CS)

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 on the Board of the Company, 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 2016-17 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. Venkata Narasimham Mannam.

Since the average net profit for the three preceeding 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 ultimate 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 30th Annual General Meeting.

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.

Accordingly, as per the said requirements of the Act, M/s. Alka Zanwar & Co, Chartered Accountants are proposed to be appointed as auditors for a period of 5 years commencing from the conclusion of 30th AGM till the conclusion of the 35th AGM, subject to ratification by shareholders every year, as may be applicable, in place of M/s. A. Ramachandra Rao & Co., Chartered Accountants.

M/s. Alka Zanwar & Co, Chartered Accountants, have consented to the said appointment and confirmed that their appointment if made, would be within the limits specified under Section 141(3)(g) of the Act. They have further confirmed that they are not disqualified to be appointed as statutory auditor in terms of the provisions of the proviso to Section 139(1), Section 141(2) and Section 141(3) of the Act and the provisions of the Companies (Audit and Auditors) Rules, 2014.

The Audit Committee and the Board of Directors recommend the appointment of M/s. Alka Zanwar & Co., Chartered Accountants, as statutory auditors of the Company from the conclusion of the 30th AGM till the conclusion of 35th AGM, to the shareholders.

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.

Secretarial Auditor

Pursuant to Section 204 of the Companies Act, 2013, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and based on the recommendations of the Audit Committee, M/s D V Rao & Associates, Company Secretaries, Hyderabad, was appointed to conduct the secretarial audit of the Company for FY2017. The secretarial audit report for FY2017 is attached as **Annexure III**.

In terms of Section 203(1) of the Companies Act 2013, the Company was required to appoint the Key Managerial Personnels (KMPs) on reaching the threshold of Rs. 10,00,00,000/- (Rupees Ten Crore only) of paid up capital. The Company was in the process of finding the appropriate person and finally appointed applicable KMPs on February 1, 2017. The Company ensures due compliance with all governing laws applicable to the Company.

Based on the consent received from M/s D V Rao & Associates, Practicing Company Secretaries and on the recommendations of the Audit Committee, the Board has appointed M/s D V Rao & Associates, Practicing Company Secretaries, as Secretarial Auditor of the Company for FY2018.

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

Date: May 10, 2017
Place: Hyderabad

Saumen Chakraborty
Director

Venkata Narasimham Mannam
Director

Annexure- I

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 – Ultimate Holding Company
(b)	Nature of contracts/arrangements/ transactions	Interest and other current liabilities payable to ultimate 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 2.6 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

Venkata Narasimham Mannam
Director

ANNEXURE II

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31 March, 2017

[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	August 18, 1986
iii)	Name of the Company	DRL Impex Limited
iv)	Category/Sub-Category of the Company	Public Company / Limited by Shares
v)	Address of the Registered office and contact details	7-1-27, Ameerpet, Hyderabad, Telangana-500016
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITES 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
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	Idea2Enterprises (India) Private Limited	7-1-27, Ameerpet, Hyderabad, Telangana-500016	U72200TG2000PTC034473	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	66,000,000	66,000,000	100	0	76,000,000	76,000,000	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	66,000,000	66,000,000	100	0	76,000,000	76,000,000	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**	66,000,000	66,000,000	**100**	**0**	**76,000,000**	**76,000,000**	**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
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**	66,000,000	66,000,000 *	**100**	**0**	**76,000,000**	**76,000,000(*)**	**100**	**99.92**

(*) Out of 76,000,000 equity shares, 6 equity shares are held by six individuals as nominee shareholders on behalf of Idea2Enterprises (India) Private Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	Name 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	66,000,000	100	0	Nil	0	0	100
2	Idea2Enterprises (India) Private Limited*	Nil	0	0	76,000,000	100	0	100
		66,000,000	**100**	**0**	**76,000,000**	**100**	**0**	**0**

*Idea2Enterprises (India) Private Limited is a subsidiary of Dr. Reddy's Laboratories Limited. Hence the ultimate holding company of DRL Impex Limited is Dr. Reddy's Laboratories Limited.

iii) Change in Promoters' Shareholding

Name of Shareholders	Date	Shareholding at the beginning of the year		Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company			No. of Shares	% of total shares of the company
Dr. Reddy's Laboratories Limited	01.04.2016	66,000,000	100%			66,000,000	100%
	02.08.2016			10,000,000	Preferential Issue	76,000,000	100%
	14.09.2016		100%	76,000,000	Sale of shares to Idea2Enterprises (India) Private Limited	0	0
	31.03.2017	0	0			0	0
Idea2Enterprises (India) Private Limited*	01.04.2016	0	0			0	0
	14.09.2016			76,000,000	Purchase of shares from Dr. Reddy's Laboratories Limited	76,000,000	100%
	31.03.2017	**76,000,000**	**100%**			**76,000,000**	**100%**

*Idea2Enterprises (India) Private Limited is a subsidiary of Dr. Reddy's Laboratories Limited. Hence the ultimate holding company of DRL Impex Limited is Dr. Reddy's Laboratories Limited.

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)*	01.04.2016	1	0	0	0	1	0
		31.03.2017	1	0	0	0	1	0
2	Mr.Venkatanarasimham Mannam (Director)*	01.04.2016	1	0	0	0	1	0
		31.03.2017	1	0	0	0	1	0
3	Mr. Raghu Cidambi (Independent Director)	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
4	Mr. Garimella Venkata Rathnam (Independent Director)	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0

B. KEY MANAGEMENT PERSONNEL (KMPs)								
1	Mr. Narayana Reddy Vuyyuru (CEO)#	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
2	Mr. Sujit Kumar Mahato (CFO)#	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
3	Mr. Amit Agarwal (CS)#	01.04.2016	0	0	0	0	0	0

* Held as Nominee shareholders of the Idea2Enterprises (India) Private Limited, Holding Company.
#appointed with effect from February 1, 2017

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, 2016)				
i) Principal Amount	-	992,00,000	-	992,00,000
ii) Interest due but not paid	-	111,29,206	-	111,29,206
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	**1103,29,206**	-	**1103,29,206**
Change in Indebtedness during the financial year				
Addition	-	5,25,069	-	5,25,069
Reduction	-	1000,00,000	-	1000,00,000
Net Change	-	**(994,74,931)**	-	**(994,74,931)**
Indebtedness at the end of the financial year (March 31, 2017)				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	108,54,275	-	108,54,275
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	**108,54,275**	-	**108,54,275**

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.

For and on behalf of the Board of Directors

Date: May 10, 2017
Place: Hyderabad

Saumen Chakraborty
Director

Venkata Narasimham Mannam
Director

ANNEXURE III

DVRao & ASSOCIATES

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017
[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members
DRL Impex Limited
CIN: U65990TG1986PLC006695
Hyderabad

We have conducted the Secretarial Audit of the compliance with the applicable statutory provisions and adherence to good corporate practices by DRL Impex Limited (DIL) (hereinafter called the company) for the year ended 31st March, 2017. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of DIL'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, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended 31st March, 2017 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 andsubject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by DIL for the financial year ended 31st March, 2017 according to the provisions of:

1) The Companies Act, 2013 (the Act) and the rules made thereunder;
2) The Securities Contract (Regulation) Act, 1956 ("SCRA") and Rules made thereunder; **(Not Applicable to the Company)**
3) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder **(Not Applicable to the Company)**;
4) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; **(Not Applicable to the Company)**;
5) The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992; **(Not Applicable to the Company)**;
6) Since the Company has no operations, the Management has confirmed that no industry specific laws are applicable to the Company.

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

a) Secretarial Standards with respect to Meetings of Board of Directors (SS-1) issued by The Institute of Company Secretaries of India and made effective from 1st July, 2015.

b) Secretarial Standards with respect to General Meetings (SS-2) issued by The Institute of Company Secretaries of India and made effective from 1st July, 2015.

During the period under review and subject to the explanations given to me and the representations made by the Management, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, standards etc., mentioned above subject to the following observations.

- The Company has appointed applicable Key Managerial Personnel viz., CEO, CFO and CS on 1st February, 2017, pursuant to provisions of Section 203 of the Companies Act, 2013 on reaching the threshold of Rs. 10 crores paid-up share capital on 22nd February, 2016.

I further report that the Board of Directors of the Company is duly constituted with Non-Executive Directors and Independent Directors and no Executive Director was appointed. All the KMPs were appointed during the period under review and the changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, Agenda and detailed notes on agenda were sent at least seven (7) 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 the resolutions of the Board were passed with the requisite majority and the same was captured and recorded as part of the minutes.

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

I further report that during the audit period the Company has complied following activities through the approval of the Board / Members, wherever applicable:

a) the Company had issued and allotted 1,00,00,000 equity Shares on preferential allotment at the Rate of Rs. 10/- each through Rights Issue to its 100% Parent Company i.e., DR. Reddy Laboratories Limited and complied the provisions of the Companies Act, 2013.

b) During the year under review, the Board on 14th September, 2016 has approved transfer of 100% shares of the Company from Dr. Reddy's Laboratories Limited (DRL), to

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Idea2Enterprises (India) Private Limited, another wholly owned subsidiary of DRL. Consequently, the Company is a wholly owned subsidiary of Idea2Enterprises (India) Private Limited and complied the provisions of the Companies Act, 2013.

for **D V Rao & Associates**
Company Secretaries

Date: 10^{th} May, 2017
Place: Hyderabad

CS Vasudeva Rao Devaki
Practicing Company Secretary
FCS # 8888; COP # 12123

This Report is to be read with our letter which is annexed as 'Annexure-A' and forms an integral part of this report.

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'Annexure-A'

To
The Members
DRL Impex Limited
CIN: U65990TG1986PLC006695
Hyderabad

My Secretarial Audit Report of even date is to be read along with this letter:

- **Management's Responsibility**

1. It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

- **Auditor's Responsibility**

1. I 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. I believe that the processes and practices I followed provide a reasonable basis for my opinion.
2. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
3. The compliance of the provisions of Corporate and other applicable laws, regulations, standard is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
4. Wherever required, I have obtained the management's representation about the compliance of laws, rules and regulations and happening of events, etc.

- **Disclaimer**

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 D V Rao & Associates
Company Secretaries

Date: 10th May, 2017
Place:Hyderabad

CS VasudevaRao Devaki
Practicing Company Secretary
FCS # 8888; COP # 12123

D V RAO & ASSOCIATES COMPANY SECRETARIES
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ANNEXURE II

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31 March, 2017

[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	August 18, 1986
iii)	Name of the Company	DRL Impex Limited
iv)	Category/Sub-Category of the Company	Public Company / Limited by Shares
v)	Address of the Registered office and contact details	7-1-27, Ameerpet, Hyderabad, Telangana-500016
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITES 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
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	Idea2Enterprises (India) Private Limited	7-1-27, Ameerpet, Hyderabad, Telangana-500016	U72200TG2000PTC034473	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	66,000,000	66,000,000	100	0	76,000,000	76,000,000	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	66,000,000	66,000,000	100	0	76,000,000	76,000,000	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**	66,000,000	66,000,000	**100**	**0**	**76,000,000**	**76,000,000**	**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
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**	66,000,000	66,000,000 *****	**100**	**0**	**76,000,000**	**76,000,000(*)**	**100**	**99.92**

(*) Out of 76,000,000 equity shares, 6 equity shares are held by six individuals as nominee shareholders on behalf of Idea2Enterprises (India) Private Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	**Name 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	66,000,000	100	0	Nil	0	0	100
2	Idea2Enterprises (India) Private Limited*	Nil	0	0	76,000,000	100	0	100
		66,000,000	**100**	**0**	**76,000,000**	**100**	**0**	**0**

*Idea2Enterprises (India) Private Limited is a subsidiary of Dr. Reddy's Laboratories Limited. Hence the ultimate holding company of DRL Impex Limited is Dr. Reddy's Laboratories Limited.

iii) Change in Promoters' Shareholding

Name of Shareholders	Date	Shareholding at the beginning of the year		Increase / Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company			No. of Shares	% of total shares of the company
Dr. Reddy's Laboratories Limited	01.04.2016	66,000,000	100%			66,000,000	100%
	02.08.2016			10,000,000	Preferential Issue	76,000,000	100%
	14.09.2016		100%	76,000,000	Sale of shares to Idea2Enterprises (India) Private Limited	0	0
	31.03.2017	**0**	**0**			**0**	**0**
Idea2Enterprises (India) Private Limited*	01.04.2016	0	0			0	0
	14.09.2016			76,000,000	Purchase of shares from Dr. Reddy's Laboratories Limited	76,000,000	100%
	31.03.2017	**76,000,000**	**100%**			**76,000,000**	**100%**

*Idea2Enterprises (India) Private Limited is a subsidiary of Dr. Reddy's Laboratories Limited. Hence the ultimate holding company of DRL Impex Limited is Dr. Reddy's Laboratories Limited.

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)*	01.04.2016	1	0	0	0	1	0
		31.03.2017	1	0	0	0	1	0
2	Mr.Venkatanarasimham Mannam (Director)*	01.04.2016	1	0	0	0	1	0
		31.03.2017	1	0	0	0	1	0
3	Mr. Raghu Cidambi (Independent Director)	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
4	Mr. Garimella Venkata Rathnam (Independent Director)	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0

B. KEY MANAGEMENT PERSONNEL (KMPs)								
1	Mr. Narayana Reddy Vuyyuru (CEO)#	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
2	Mr. Sujit Kumar Mahato (CFO)#	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
3	Mr. Amit Agarwal (CS)#	01.04.2016	0	0	0	0	0	0

* Held as Nominee shareholders of the Idea2Enterprises (India) Private Limited, Holding Company.
#appointed with effect from February 1, 2017

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, 2016)				
i) Principal Amount	-	992,00,000	-	992,00,000
ii) Interest due but not paid	-	111,29,206	-	111,29,206
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**-**	**1103,29,206**	**-**	**1103,29,206**
Change in Indebtedness during the financial year				
Addition	-	5,25,069	-	5,25,069
Reduction	-	1000,00,000	-	1000,00,000
Net Change	**-**	**(994,74,931)**	**-**	**(994,74,931)**
Indebtedness at the end of the financial year (March 31, 2017)				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	108,54,275	-	108,54,275
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**-**	**108,54,275**	**-**	**108,54,275**

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.

For and on behalf of the Board of Directors

Date: May 10, 2017
Place: Hyderabad

Saumen Chakraborty
Director

Venkata Narasimham Mannam
Director

A. Ramachandra Rao & Co.
Chartered Accountants

1st Floor, 3-6-369/A/11,
Street No 1, Himayat Nagar,
Hyderabad-500 029.

Tel. : 27633677
Fax : 27639746
E-mail : arrandco@gmail.com

To
Members
DRL Impex Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **DRL Impex Limited,** which comprise the Balance Sheet as at 31[st] March 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone 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 the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

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 andprudent; 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 standalone Ind AS 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 standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, theaccounting 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 of the standalone Ind AS financial statements 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 standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS 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 standalone Ind AS 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 the 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 standalone Ind AS financial statements.

A. Ramachandra Rao & Co. HYDERABAD Chartered Accountants

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note No. 1.1 which explain the circumstances that lead to accumulated losses and the circumstances that are mitigating the same and the reasons based on which the accounts have been prepared on Going Concern Basis. Notwithstanding the fact that the company has incurred cash losses during the current year as well as during the previous year the financial statements of the Company have been prepared on Going Concern Basis

Our Opinion is not modified in respect of this matter

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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 including the Ind AS, of the financial position of the Company as at 31st March, 2017, and its financial performance including other comprehensive income, its cash flows and the changes in equity 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") issued by the Central Government interms of Section 143(11) of the Act, we give in "Annexure A"a statement on the matters specified in paragraphs 3 and 4of the Order.

2. As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the informationand explanations which to the best of our knowledgeand belief were necessary for the purposes of ouraudit.

b) In our opinion, proper books of account as requiredby law have been kept by the Company so far as itappears from our examination of those books

c) The Balance Sheet, the Statement of Profit andLoss, the Cash Flow Statement and Statement ofChanges in Equity dealt with by this Report are inagreement with the books of account

d) In our opinion, the aforesaid standalone Ind ASfinancial statements comply with the IndianAccounting Standards prescribed under section 133of the Act.

e) On the basis of the written representations receivedfrom the directors as on 31st March 2017 taken onrecord by the Board of Directors, none of thedirectors is disqualified as on 31st March 2017 frombeing appointed as a director in terms of Section164(2) of the Act.

f) With respect to the adequacy of the internal financialcontrols over financial reporting of the Company andthe operating effectiveness of such controls, refer toour separate Report in "Annexure B".

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

g) With respect to the other matters to be included inthe Auditor's Report in accordance with Rule 11 ofthe Companies (Audit and Auditors) Rules, 2014, inour opinion and to the best of our information andaccording to the explanations given to us:

i. TheCompany does not have any pending litigationswhich would impact its financial position

ii. The Company did not have anylong-term contracts including derivativecontracts for which there were any materialforeseeable losses.

iii. There has been no delay in transferringamounts, required to be transferred, to theInvestor Education and Protection Fund.

iv. The Company has made requisite disclosures in its financial statements as it holdings as well as dealings in Specified Bank Notes during the period 08th November 2016 to 30th December 2016 and such disclosures are in accordance with the books of Accounts maintained by the Company.

For M/s A Ramachandra Rao & Co
Chartered Accountants
Firm Regn No. ICAI 002857S

A. Ramachandra Rao & Co. HYDERABAD ICAI FRN.002857S Chartered Accountants

P S R V V Surya Rao
Partner
Membership No. 202367

Hyderabad
Date:10.05.2017

ANNEXURE TO THE AUDITORS' REPORT

(DRL Impex Limited)

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

(i) a) Based on the information provided to us, the Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

b) Based on the information provided to us, all the Fixed Assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets and, to the best of our knowledge, no material discrepancies were noticed on such verification;

c) Based on the information given to us, the title deeds of the properties are held in the name of the Company.

(ii) As explained and information given to us, the company does not have any inventory and hence para 3(ii) of the Order is not applicable to the Company for the period under audit.

(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) 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 not acquired any security during the year and hence, in our opinion, the clause 3(iv) 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) Based on the explanations given to us, the Company is not required to maintain cost Records under Section 148 of the Companies Act, 2013 and hence the clause 3(vi) of the order is not applicable to the Company for the period under audit.

(vii) (a) According to the records of the Company, the Company is regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities;

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Duty of Customs, Duty of Excise, Value added tax and other material statutory dues were in arrears as at 31 March 2017 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 of VAT, income tax, customs duty, excise duty, 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 / due to Debenture Holders and hence clause 3(viii) of the Order is not applicable to the Company for the period under audit.

(ix) According to the information and explanations given to us, the Company has not raised any monies by way of IPO / further public offer not has taken any term loans and hence clause 3(ix) of the Order is not applicable to the Company for the period under audit.

A. Ramachandra Rao & Co. HYDERABAD ICAI FRN 002857S Chartered Accountants

(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) In our opinion, the provisions of section 197 read with Schedule V to the Companies Act,2013 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 period under audit.

(xii) Based on the explanations given to us, in our opinion, the Company is not a Nidhi Company as per section 406 of the Companies Act,2013 and hence clause 3(xii) is not applicable to the Company.

(xiii) Based on the information provided and explanation given to us, in our opinion, 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) Based on the information provided to us, the Company has not made any preferential allotment of shares during the year and during the year under review and hence, clause 3(xiv) 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 hence, clause 3(xv) is not applicable to the Company during the year.

(xvi) Based on the information provided to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and hence, clause (xvi) is not applicable to this Company.

Place : Hyderabad
Date: 10.05.2017

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI Firm Regn No. 002857S

A. Ramachandra Rao & Co. HYDERABAD ICAI FRN.002857S Chartered Accountants

P S R V V Surya Rao
Partner
Membership No.202367

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 **M/s DRL Impex Limited**, as of March 31, 2017 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;

A. Ramachandra Rao & Co. HYDERABAD ICAI FRN:0 Chartered Accountants

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accountingprinciples, 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, 2017, 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.

Place : Hyderabad
Date: 10.05.2017

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI Firm Regn No. 002857S

P S R V V Surya Rao
Partner
Membership No.202367

Balance Sheet

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

	Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	6,111	6,111	6,111
Deferred tax assets (net)		-	-	2,420
Other non current assets	2.2	4,631	7,541	7,694
Total non current assets		**10,742**	**13,652**	**16,225**
Current assets				
Cash and cash equivalents	2.3	3,444	649	3,942
Total current assets		**3,444**	**649**	**3,942**
Total assets		**14,186**	**14,301**	**20,167**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.4	7,60,000	6,60,000	500
Retained earnings		(7,61,836)	(7,60,236)	(7,40,115)
Total equity	2.5	**(1,836)**	**(1,00,236)**	**(7,39,615)**
Non current liabilities				
Financial Liabilities				
Borrowings	2.6	10,854	1,10,329	7,58,962
		10,854	**1,10,329**	**7,58,962**
Current liabilities				
Financial Liabilities				
Trade payables	2.7	82	82	82
Other current financial liabilities	2.8	5,087	4,075	64
Other current liabilities	2.9	-	51	674
Total Liabilities		**5,169**	**4,208**	**820**
Total equity and liabilities		**14,186**	**14,301**	**20,167**

Significant accounting policies & Notes Accounts 1

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

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

Venkatanarasimham Mannam
Director

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

Sujit Kumar Mahato
Chief Financial Officer

Amit Agarwal
Company Secretary

Place: Hyderabad
Date: 10 May 2017

(MSW)

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 2017	For the year ended 31 March 2016
Continuing operations			
Total income		-	-
Expenses			
Finance costs	2.10	584	12,075
Other expenses	2.11	1,016	5,626
Total expense		**1,600**	**17,701**
Profit/(Loss) before exceptional items and tax		**(1,600)**	**(17,701)**
Profit / (Loss) before tax		(1,600)	(17,701)
Income tax expense		-	2,420
Profit/ (Loss) for the year		**(1,600)**	**(20,121)**
Other comprehensive income			
Total items that will not be reclassified to profit or loss		-	-
Total items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income for the year			
Earnings per share:			
Basic earnings per share of Rs.10/- each		(0.02)	(2.84)
Diluted earnings per share of Rs.10/- each		(0.02)	(2.84)
Number of shares used in computing earnings per share		7,14,52,055	70,96,712
Basic		7,14,52,055	70,96,712
Diluted			
Significant accounting policies & Notes Accounts	1		

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V Surya Rao
Partner
ICAI Membership No. 202367

for and on behalf of the Board of Directors

Venkatanarasimham Mannam
Director

Saumen Chakraborty
Director

Sujit Kumar Mahato
Chief Financial Officer

Amit Agarwal
Company Secrertary

Place: Hyderabad
Date: 10 May 2017

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

	For the year ended 31 March 2017	For the year ended 31 March 2016
Operating activities		
Profit before tax from continuing operations	(1,600)	(17,701)
Profit before tax		
Adjustments to reconcile profit before tax to net cash flows:		
Finance costs (including fair value change in financial instruments)	584	12,075
Operating cash flows before working capital changes	**(1,016)**	**(5,626)**
Working capital adjustments:		
Decrease in trade and other receivables and prepayments	2,910	153
Increase in trade and other payables	960	3,388
	2,854	**(2,085)**
Income tax paid	-	-
Net cash flows from/(used in) operating activities	**2,854**	**(2,085)**
Net cash flows from /(used in) investing activities	-	-
Financing activities		
Proceeds from equity capital	1,00,000	6,59,500
Proceeds from long term borrowings	(1,00,059)	(6,60,708)
Net cash flows from/ (used in) financing activities	**(59)**	**(1,208)**
Net increase / (decrease) in cash and cash equivalents	2,795	(3,293)
Cash and cash equivalents at the beginning of the year	649	3,942
Cash and cash equivalents at the end of the year	**3,444**	**649**

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

Place: Hyderabad
Date: 10 May 2017

for and on behalf of the Board of Directors

Venkatanarasimham Mannam
Director

Saumen Chakraborty
Director

Sujit Kumar Mahato
Chief Financial Officer

Amit Agarwal
Company Secretary

Note 1 : Significant Accounting Policies & Notes to Accounts :

First Time Adoption of Ind AS:

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS).

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.11 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

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

Liabilities:

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

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

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

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other (income)/expense, net" in the consolidated income statement.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in the consolidated income statement as incurred.

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognized in the consolidated income statement on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognized only when receipt of such reimbursements is virtually certain. Such reimbursements are recognized as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Segment Reporting

In terms of Ind AS 108 relating to "segment reporting", the company operates only in one segment and hence the requirements under the standard are not applicable to the company.

1.3 Related Party Transactions- Ind AS 24

The company has the following amounts due to related parties:

Name of Party	Nature of relationship	Nature of transaction	Closing Balance as on 31.03.2017	Closing Balance as on 31.03.2016
Dr. Reddy's Laboratories Limited	Related Party	Other payable /	5,000	4,000
Dr. Reddy's Laboratories Limited	Related Party	Borrowings	10,854	1,10,329

Transaction with related party : Nil

Name of Party	Nature of relationship	Nature of transaction	For the period 31.03.2017	For the period 31.03.2016
Dr. Reddy's Laboratories Limited	Related Party	Interest Accured	584	0
Dr. Reddy's Laboratories Limited *	Related Party	Dispose of Investment	1,00,000	6,60,000
Idea2 Enterprises Private Limited *	Holding Company	Investment	7,60,000	0

** During currnet year(FY17) DRL Impex Limited has become subsidiary to Idea2 Enterprises Privated Limited from Dr.Reddy's Laboratories Limited.*

1.4 Taxation - Ind AS 12

a. Current Year Taxation:

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Minimum Alternate Taxation (MAT) :

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

C. Deferred Tax:

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.5 Earnings Per Share : Ind AS 33

The computation of Earnings per Share is set out below:

Particulars	For the Year Ended 31st March 2017	For the Year Ended 31st March 2016
Earnings / (Loss) for the year	(1,600)	(20,121)
Weighted average number of equity shares		
outstanding during the year - Basic	7,14,52,055	70,96,712
outstanding during the year - Diluted	7,14,52,055	70,96,712
Earnings Per Share:		
Basic (face value of Rs.10/-)	(0.02)	(2.84)
Diluted (face value of Rs.10/-)	(0.02)	(2.84)

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.6 Details of dues to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Act, 2006

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2017 has been made in the financial statements based on information received and available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the aforesaid Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act. The particulars required to be disclosed are Nil.

1.7 Impairment of Assets

In the opinion of the management, there is no impairment of its assets as on 31 March 2017 requiring recognition in terms of Ind AS 36 prescribed by The Institute of Chartered Accountants of India (ICAI).

1.8 Provision for employee benefits

Ind AS 19 is not applicable to the company during the year as there are no employees .

1.9 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallization of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallize on the Company and may not have any material impact on the revenue.

1.10 Previous Period Figures

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

1.11 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.12 : Note on Specified Bank Notes (SBN) Transactions

Particulars	SBNs	Other denomination Notes	Total
Closing Cash in hand on 8.11.2016	-	-	-
(+) Permitted Receipts	-	-	-
(-) Permitted Payments	-	-	-
(-) Amounts deposited in Bank	-	-	-
Closing Cash in hand on 30.12.2016	-	-	-

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

Note 2: Notes to financial statements (continued)

2.4 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
76,000,000 (previous year : ,66,000,000) equity shares of Rs. 10/- each fully paid up	7,60,000	6,60,000	500
Issued equity capital			
76,000,000 (previous year : ,66,000,000) equity shares of Rs. 10/- each fully paid up	7,60,000	6,60,000	500
Subscribed and fully paid-up			
76,000,000 (previous year : ,66,000,000) equity shares of Rs. 10/- each fully paid up			
Add: Forfeited share capital (e)	7,60,000	6,60,000	500
	7,60,000	**6,60,000**	**500**

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

Particulars	As at 31 March 2017		As at 31 March 2016		
	No. of equity shares	Amount	No. of equity shares		Amount
Number of shares outstanding at the beginning of the year	6,60,00,000	660	50,000		0.50
Shares issued during the year	1,00,00,000	100	6,59,50,000		659.50
Number of shares outstanding at the end of the year	7,60,00,000	760	6,60,00,000		660

(b) Terms / rights attached to the equity shares

The company has only one class of equity share having a par value of Rs. 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 2017		As at 31 March 2016		
	No. of equity shares held	% holding in the class	No. of equity shares held		% holding in the class
Dr. Reddy's Laboratories Limtied (including shares held by nominees)	-	-	6,60,00,000		100%
Idea2Enterprises(India) Private Limted	7,60,00,000	100%	-		-

DRL Impex Limited

Notes to Financial Statements

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

Note 2: Notes to financial statements

2.1: Fixed Assets

Description	Gross block				Accumulated depreciation / amortisation / impairment				Net block	
	As at 1 April 2016	Additions	Deletions	As at 31 March 2017	As at 1 April 2016	For the year	Deletions	As at 31 March 2017	As at 31 March 2017	As at 1 April 2016
Land	6,111	-	-	6,111	-	-	-	-	6,111	6,111
Total tangible assets (A)	6,111	-	-	6,111	-	-	-	-	6,111	6,111
Previous Year	6,111	-	-	6,111	-	-	-	-	6,111	6,111

DRL Impex Limited

Statement of Changes in Equity

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

a. Equity Share Capital:	Note	As at 31 March 2017	As at 31 March 2016	As at 01 April 2015
Equity shares of INR 10 each issued		7,60,000	6,60,000	500
		7,60,000	6,60,000	500
Equity shares of INR 10 each subscribed and fully paid-up		7,60,000	6,60,000	500

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

Note 2: Notes to financial statements (continued)

2.2 : Other assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Advance income tax, net of provision	4,631	7,541	7,694
Total Other Assets	**4,631**	**7,541**	**7,694**

2.3 : Cash and cash equivalent

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Balances with banks:			
- On current accounts	3,444	649	3,942
Cash and cash equivalents	**3,444**	**649**	**3,942**

2.6 : Borrowings

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Long term borrowings from holding Company / related party*	10,854	1,10,329	7,58,962
Total borrowings	**10,854**	**1,10,329**	**7,58,962**

** Rs. 10,000,000 of loan converted to Equity in FY17*

2.7 : Trade payables

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Trade payables	82	82	82
	82	**82**	**82**

2.8 : Other financial liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Other current financial liabilities			
Accrued expenses	87	75	64
Others / Payable to related party	5,000	4,000	-
Total other financial liabilities	**5,087**	**4,075**	**64**

2.9 : Other Current liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Due to statutory authorities	-	51	674
Total Other Current Liabilities	**-**	**51**	**674**

2.10: Finance costs

	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest on other borrowings	583	12,075
Interest Expense	1	-
	584	**12,075**

2.11 : Other expenses

	For the year ended 31 March 2017	For the year ended 31 March 2016
Rates and taxes	1,003	5,615
Audit fees	12	11
Other general expenses	2	-
	1,016	**5,626**

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R R V Surya Rao
Partner
ICAI Membership No. 202367

for and on behalf of the Board of Directors

Venkatanarasimham Mannam
Director

Saumen Chakraborty
Director

Sujit Kumar Mahato
Chief Financial Officer

Amit Agarwal
Company Secretary

Place: Hyderabad
Date: 10 May 2017

Independent Auditors' Report

To the Members of **Euro Bridge Consulting B.V.**

We have audited the accompanying financial statements of **Euro Bridge Consulting B.V.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non Current assets				
Financial assets				
Investments	2.1	152,052	152,052	152,052
		152,052	**152,052**	**152,052**
Current assets				
Financial assets				
Cash and cash equivalents	2.2	1,801	1,069	801
Total current assets		**1,801**	**1,069**	**801**
Total assets		**153,853**	**153,121**	**152,853**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.3	41,134	36,985	36,985
Other equity				
Retained earnings		(17,915)	(14,607)	(11,673)
Share premium		130,465	128,288	122,519
Total equity		**153,684**	**150,666**	**147,831**
Non current liabilities				
Financial Liabilities				
Borrowings	2.4	-	1,733	3,879
		-	**1,733**	**3,879**
Current liabilities				
Financial Liabilities				
Other current financial liabilities	2.5	169	722	1,143
Total Liabilities		**169**	**722**	**1,143**
Total equity and liabilities		**153,853**	**153,121**	**152,853**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Euro Bridge Consulting B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

M V Ramana
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Expenses			
Other expenses	2.6	3,308	2,934
Total expense		**3,308**	**2,934**
Loss before tax		**(3,308)**	**(2,934)**
Income tax expense		-	-
Loss for the year		**(3,308)**	**(2,934)**
Earnings per share:			
Basic earnings per share of Rs.5/- each		(47.90)	(52.21)
Diluted earnings per share of Rs.5/- each		(47.90)	(52.21)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Euro Bridge Consulting B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

M V Ramana
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
Loss before taxation	(3,308)	(2,934)
Adjustments to reconcile profit before tax to net cash flows:		
Net foreign exchange differences	82	325
Operating cash flows before working capital changes	**(3,226)**	**(2,609)**
Working capital adjustments:		
Deccrease in trade and other payables	(553)	(536)
	(3,779)	**(3,145)**
Income tax paid		
Net cash flows from operating activities	**(3,779)**	**(3,145)**
Net cash flows used in investing activities	-	-
Net cash flows from/ (used in) financing activities		
Proceeds from issuance of share capital	6,326	5,769
Repayment of long term borrowings,net	(1,681)	(2,460)
	4,645	**3,309**
Net increase / (decrease) in cash and cash equivalents	866	164
Cash and cash equivalents at the beginning of the year	1,069	801
Effect of foreign exchange loss on cash and cash equivalents	(134)	104
Cash and cash equivalents at the end of the year	**1,801**	**1,069**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,801	1,069
Cash and bank balances at the end of the year	**1,801**	**1,069**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Euro Bridge Consulting B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

M V Ramana
Director

Place: Hyderabad
Date: 9 May 2017

Euro Bridge Consulting B.V.

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus		Total Equity
	Shares	Amount	Share Premium	Retained Earnings	
Balance as of 1 April 2015	**56,200**	**36,985**	**122,519**	**(11,673)**	**147,831**
Shares issued during the year	-	-	5,769	-	5,769
Loss for the period				(2,934)	(2,934)
Balance as of 31 March 2016	**56,200**	**36,985**	**128,288**	**(14,607)**	**150,666**
Shares issued during the year	25,800	4,149	-	-	
Loss for the period	-	-	2,177	(3,308)	3,018
Balance as of 31 March 2017	**82,000**	**41,134**	**130,465**	**(17,915)**	**153,684**

As per our report of even date attached

for and on behalf of the Board of Directors of **Euro Bridge Consulting B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

M V Ramana
Director

Place: Hyderabad
Date: 9 May 2017

Euro Bridge Consulting B.V.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:
Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.
Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.
Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company’s business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Euro Bridge Consulting B.V.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Related Party Transactions

The company has the following amounts due from/to related parties :

Particulars	As at 31 March 2017	As at 31 March 2016
Due from holding company and other group companies(included in trade receivables):		
Reddy Antilles N.V.	-	1,733

1.3 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.4 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.6 The company, incorporated under the laws of Netherlands, is a 100% subsidiary of Reddy Antilles N.V.

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

Note 2: Notes to the financial statements

Financial Assets

Investments carried at cost	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.1: Investments in subsidiary companies			
OOO DRS LLC	152,052	152,052	152,052
	152,052	**152,052**	**152,052**

2.2 : Cash and cash equivalents	**As at 31 March 2017**	**As at 31 March 2016**	**As at 1 April 2015**
Balances with banks:			
- On current accounts	1,801	1,069	801
Cash and cash equivalents	**1,801**	**1,069**	**801**

2.3 : Share capital	**As at 31 March 2017**	**As at 31 March 2016**	**As at 1 April 2015**
Authorised Share Capital			
100,000 (31 March 2016 : 100,000;1 April 2015 : 100,000) equity shares of Euro 10 each	55,863	55,863	55,863
Issued equity capital			
82,000 (31 March 2016 : 56,200;1 April 2015 : 56,200) equity shares of Euro 10 each	41,134	36,985	36,985
Subscribed and fully paid-up			
82,000 (31 March 2016 : 56,200;1 April 2015 : 56,200) equity shares of Euro 10 each	41,134	36,985	36,985
	41,134	**36,985**	**36,985**

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

Particulars	**As at 31 March 2016**		**As at 31 March 2015**		**As at 1 April 2015**	
	No. of equity shares	**Amount**	**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	56,200	36,985
Add:Shares issued during the year	25,800	4,149	-	-	-	-
Number of shares outstanding at the end of the year	**82,000**	**41,134**	**56,200**	**36,985**	**56,200**	**36,985**

(b) **Terms / rights attached to the 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**		**As at 1 April 2015**	
	No. of equity shares held	**% holding in the class**	**No. of equity shares held**	**% holding in the class**	**No. of equity shares held**	**% holding in the class**
Reddy Antilles N.V.	82,000	100%	56,200	100%	56,200	100%

Financial Liabilities

2.4 : Borrowings	**As at**	**As at**	**As at**
Non-current Borrowings	**31 March 2017**	**31 March 2016**	**1 April 2015**
From other parties			
Long term borrowings from holding company and other group companies	-	1,733	3,879
	-	**1,733**	**3,879**

2.5 : Other financial liabilities	**As at 31 March 2017**	**As at 31 March 2016**	**As at 1 April 2015**
Other current financial liabilities			
Accrued expenses	169	722	
	169	**722**	**-**

2.6 : Other expenses	**For the year ended 31 March 2017**	**For the year ended 31 March 2016**
Foreign exchnage loss,net	135	334
Legal and professional	3,059	2,572
Other general expenses	114	28
	3,308	**2,934**

IDEA2ENTERPRISES (INDIA) PRIVATE LIMITED

7-1-27, Ameerpet, Hyderabad - 500 016.

CIN : U72200TG2000PTC034473

Tel : +91 40 4904 8400 Fax : +91 40 4904 8800

Dear Members,

Your Directors present the 17th Board's Report of the Company for the year ended 31 March 2017.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2016-17 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2017	31 March 2016
Profit/(Loss) for the period after taxation	(22)	(11)
Balance brought forward	(14,184)	(14,173)
Balance carried forward to Balance Sheet	(14,206)	(14,184)

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 2017.

Transfer to reserves

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

Share Capital

The Board of Directors at their meeting held on May 10, 2016 approved the issue of 1,22,000 (One Lakh Twenty Two Thousand) fully paid-up equity shares of the Company to Dr. Reddy's Laboratories Limited (holding company), at a fair value of Rs. 730 (Rupees Seven Hundred and Thirty only) as per the valuation report of M/s. A Ramachandra Rao & Co., Chartered Accountants.

As on March 31, 2017, the Authorised Capital of the Company is Rs. 250,00,000/-(Rupees Two Crores Fifty Lakhs) and the paid up capital of the Company is Rs. 249,98,260/- (Rupees Two Crores Forty Nine Lakhs Ninety Eight Thousand Two Hundred and Sixty only).

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.

Subsidiaries and Associates

The Company is a subsidiary of Dr. Reddy's Laboratories Limited.

During the year under review, the Company has acquired 100% stake in DRL Impex Limited from Dr. Reddy's Laboratories Limited on February 22, 2017. The Company has invested Rs. 8.8 Crores for the said acquisition based on the valuation report by M/s. A Ramachandra Rao & Co., Chartered Accountants. Accordingly, DRL Impex Limited is a wholly owned subsidiary of the Company.

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 July 27, 2016 has clarified that the provisions pertaining to manner of consolidation of accounts shall not be applicable if

a) the members have been intimated in writing for not presenting the financial statements and the members do not object to the same; and

b) ultimate holding company files the consolidated financial statements with the Registrar which are in compliance with the applicable accounting standards.

The Company has/shall comply with the said circular. Therefore 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-1 is attached as **"Annexure – I"** to the Board's Report.

Particulars of Loans, Guarantees or Investments

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

Number of Board meetings

The Company's Board met 4 times during the year on 10.05.2017, 03.08.2016, 21.10.2016 and 01.02.2017.

Board of Directors

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. K Satish Reddy, 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.

The Board of Directors at its meeting held on February 1, 2017, had appointed Mr. Venkata Narasimham Mannam as an Additional Director of the Company, liable to retire by rotation. The Board recommends appointment of Mr. Venkata Narasimham Mannam as Director of the Company, for approval of the shareholders at the ensuing Annual General Meeting of the Company.

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 2016-17 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 II".**

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 17th 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 2017-18 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 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

Date: May 10, 2017	**K Satish Reddy**	**Venkata Narasimham Mannam**
Place: Hyderabad	**Director**	**Director**

Annexure-I

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
1.	Name of the subsidiary	DRL Impex Limited
2.	Date since when the subsidiary was acquired	14.09.2016
3.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA
4.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	INR
5.	Share capital	Rs. 760,000,000
6.	Reserves & surplus	Rs. (761,836,000)
7.	Total assets	Rs. 14,186,000
8.	Total Liabilities	Rs. 14,186,000
9.	Investments	-
10.	Turnover	-
11.	Profit before taxation	Rs. (1,600,000)
12.	Provision for taxation	-
13.	Profit after taxation	Rs. (1,600,000)
14.	Proposed Dividend	0
15.	Extent of shareholding (in %)	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 : NIL

For and on behalf of the Board of Directors

Date: May 10, 2017
Place: Hyderabad

K Satish Reddy
Director

Venkata Narasimham Mannam
Director

Annexure- II

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 2.7 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

M V Narasimham
Director

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31 March, 2017

[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	May 22, 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 ACTIVITES 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
NA			

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. 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	99.996	2(46)
2	DRL Impex Limited	7-1-27, Ameerpet, Hyderabad, Telangana-500016	U65990TG2000PLC034675	Subsidiary	100	2(87)(ii)

* 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	2,499,826	2,499,826	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	**2,499,826**	**2,499,826**	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	2,499,826	2,499,826	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
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trust	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	**0**	**2,377,826**	**2,377,826 (*)**	**100**	**0**	**2,499,826**	**2,499,826 (*)**	**100**	**0**

(*) Out of 2,499,826 equity shares, 10 equity share held by Mr. K 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	2,499,726	99.996	0	0.004
2	Dr. Reddy's Bio Sciences Limited	0	0	0	100	0.004	0	0.004
		2,377,826	**100**	**0**	**2,499,826**	**100**	**0**	**0**

iii) Change in Promoters' Shareholding

Name of Shareholder	Date	Shareholding at the beginning of the year		Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company			No. of Shares	% of total shares of the company
1. Dr. Reddy's Laboratories Limited	01.04.2016	2,377,826	100				
	03.08.2016			122,000	Preferential Issue	2,499,826	100
	03.08.2016			100	Sale of Shares to Dr. Reddy's Bio-Sciences Limited	2,499,726	99.996
	31.03.2017	**2,499,726**	**99.996**				
2. Dr. Reddy's Bio-Sciences Limited	01.04.2016	0	0				
	03.08.2016			100	Purchase of shares from Dr. Reddy's Laboratories Limited	100	0.004
	31.03.2017	**100**	**0.004**				

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)	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
2	Mr. K Satish Reddy * (Director)	01.04.2016	10	0	0	0	10	0
		31.03.2017	10	0	0	0	10	0
3	Mr. M V Narasimham (Director) #	01.04.2016	0	0	0	0	0	0
		31.03.2017	0	0	0	0	0	0
B.	**KEY MANAGEMENT PERSONNEL (KMPs)**							
Nil								

* Held as Nominee shareholder of the Dr. Reddy's Laboratories Limited, Holding Company.
# Appointed with effect from 01.02.2017.

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.

For and on behalf of the Board of Directors

K Satish Reddy
Director

M V Narasimham
Director

A. Ramachandra Rao & Co.
Chartered Accountants

1st Floor, 3-6-369/A/11,
Street No 1, Himayat Nagar,
Hyderabad-500 029.

Tel. : 27633677
Fax : 27639746
E-mail : arrandco@gmail.com

To
Members
Idea2 Enterprises (India) Private Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **Idea2 Enterprises (India) Private Limited,**which comprise the Balance Sheet as at 31st March, 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone 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 the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

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 andprudent; 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 standalone Ind AS 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 standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, theaccounting 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 of the standalone Ind AS financial statements 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 standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS 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 standalone Ind AS 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 the accounting policies used and the reasonableness of the

A. Ramachandra Rao & Co. Hyderabad Chartered Accountants

accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS 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 standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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 including the Ind AS, of the financial position of the Company as at 31st March, 2017, and its financial performance including other comprehensive income, its cash flows and the changes in equity 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") issued by the Central Government interms of Section 143(11) of the Act, we give in "Annexure A"a statement on the matters specified in paragraphs 3 and 4of the Order.

2. As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the informationand explanations which to the best of our knowledgeand belief were necessary for the purposes of ouraudit.

b) In our opinion, proper books of account as requiredby law have been kept by the Company so far as itappears from our examination of those books

c) The Balance Sheet, the Statement of Profit andLoss, the Cash Flow Statement and Statement ofChanges in Equity dealt with by this Report are inagreement with the books of account

d) In our opinion, the aforesaid standalone Ind ASfinancial statements comply with the IndianAccounting Standards prescribed under section 133of the Act.

e) On the basis of the written representations receivedfrom the directors as on 31st March 2017 taken onrecord by the Board of Directors, none of thedirectors is disqualified as on 31st March 2017 frombeing appointed as a director in terms of Section164(2) of the Act.

f) With respect to the adequacy of the internal financialcontrols over financial reporting of the Company andthe operating effectiveness of such controls, refer toour separate Report in "Annexure B".

g) With respect to the other matters to be included inthe Auditor's Report in accordance with Rule 11 ofthe Companies (Audit and Auditors) Rules, 2014, inour opinion and to the best of our information andaccording to the explanations given to us:

i. TheCompany does not have any pending litigationswhich would impact its financial position

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ii. The Company did not have anylong-term contracts including derivativecontracts for which there were any materialforeseeable losses.

iii. There has been no delay in transferringamounts, required to be transferred, to theInvestor Education and Protection Fund.

iv. The Company has made requisite disclosures in its financial statements as it holdings as well as dealings in Specified Bank Notes during the period 08th November 2016 to 30th December 2016 and such disclosures are in accordance with the books of Accounts maintained by the Company.

For M/s A Ramachandra Rao & Co
Chartered Accountants
Firm Regn No. ICAI 002857S

P S R V V Surya Rao
Partner
Membership No. 202367

Hyderabad
Date:10.05.2017

ANNEXURE TO THE AUDITORS' REPORT
(Idea2 Enterprises (India) Private Limited)
(Of even date referred to in Para 1 of our Report)

(i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

b) All the Fixed Assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets and, to the best of our knowledge, no material discrepancies were noticed on such verification;

c) Based on the information given to us, the title deeds of the properties are held in the name of the Company.

(ii) As explained and information given to us, the company does not have any inventory and hence para 3(ii) of the Order is not applicable to the Company for the period under audit.

(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) 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 not acquired any security during the year and hence, in our opinion, the clause 3(iv) 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) Based on the explanations given to us, the Company is not required to maintain cost Records under Section 148 of the Companies Act, 2013 and hence the clause 3(vi) of the order is not applicable to the Company for the period under audit.

(vii) (a) According to the records of the Company, the Company is regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities;

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Duty of

A. Ramachandra Rao & Co. HYDERABAD Chartered Accountants

Customs, Duty of Excise, Value added tax and other material statutory dues were in arrears as at 31 March 2017 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 of VAT, income tax, customs duty, excise duty, 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 / due to Debenture Holders and hence clause 3(viii) of the Order is not applicable to the Company for the period under audit.

(ix) According to the information and explanations given to us, the Company has notraised any monies by way of IPO / further public offer not has taken any term loans and hence clause 3(ix) of the Order is not applicable to the Company for the period under audit.

(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) In our opinion, the provisions of section 197 read with Schedule V to the Companies Act,2013 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 period under audit.

(xii) Based on the explanations given to us, in our opinion, the Company is not a Nidhi Company as per section 406 of the Companies Act,2013 and hence clause 3(xii) is not applicable to the Company.

(xiii) Based on the information provided and explanation given to us, in our opinion, 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 and the funds raised have been used for the purposes for which they were raised

(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 hence, clause 3(xv) is not applicable to the Company during the year.

(xvi) As per the information given to us, in our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and hence, clause (xvi) is not applicable to this Company.

Place : Hyderabad
Date: 10.05.2017

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI Firm Regn No. 002857S

P S R V V Surya Rao
Partner
Membership No.20236

A. Ramachandra Rao & Co. HYDERABAD ICAI FRN.002857S Chartered Accountants

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 **M/s Idea2 Enterprises (India) Private Limited**, as of March 31, 2017 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;

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

(2)provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accountingprinciples, 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, 2017, 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.

Place : Hyderabad
Date: 10.05.2017

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI Firm Regn No. 002857S

P S R V V Surya Rao
Partner
Membership No.202367

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 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	14,49,989	14,49,989	14,49,989
Investment in subsidiary	2.2	88,237	-	-
Total non current assets		**15,38,226**	**14,49,989**	**14,49,989**
Current assets				
Cash and cash equivalents	2.3	1,049	218	218
Other current assets	2.4	27	1	1
Total current assets		**1,076**	**219**	**219**
Total assets		**15,39,302**	**14,50,208**	**14,50,208**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.5	24,998	23,778	23,778
Share premium		87,840	-	-
Retained earnings		14,22,815	14,22,780	14,22,791
Total equity	2.6	**15,35,653**	**14,46,558**	**14,46,569**
Non current liabilities				
		-	-	-
Current liabilities				
Other current financial liabilities	2.7	3,649	3,637	3,626
Provisions	2.8	-	13	13
Total Liabilities		**3,649**	**3,650**	**3,639**
Total equity and liabilities		**15,39,302**	**14,50,208**	**14,50,208**

Significant accounting policies & Notes to Accounts 1

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

A Ramachandra Rao & Co. HYDERABAD ICAI FRN 002857S Chartered Accountants

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

for and on behalf of the Board of Directors

K Satish Reddy
Director

Venkatanarsimham Mannam
Director

Place: Hyderabad
Date: 10 May 2017

(MSK)

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 2017	For the year ended 31 March 2016
Continuing operations			
Other income	2.9	255	-
Total income		**255**	-
Expenses			
Other expenses	2.10	233	11
Total expense		**233**	**11**
Profit before tax		**22**	**(11)**
Income tax expense		(13)	-
Profit for the year		**35**	**(11)**
Other comprehensive income			
Total items that will not be reclassified to profit or loss		-	-
Total items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income for the year			
Basic - Par Value Rs. 10/- Share		0.014	(0.005)
Diluted - Par Value Rs. 10/- Share		0.014	(0.005)
Number of shares used in computing earnings per share			
Basic		24,58,379	23,77,826
Diluted		24,58,379	23,77,826
Significant accounting policies & Notes to Accounts	1		

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

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

P S RV. V Surya Rao
Partner
ICAI Membership No. 202367

for and on behalf of the Board of Directors

K Satish Reddy
Director

Venkatanarsimham Mannam
Director

Place: Hyderabad
Date: 10 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
Profit before tax from continuing operations	22	(11)
Profit before tax		
Adjustments to reconcile profit before tax to net cash flows:		
Finance income (including fair value change in financial instruments)	(255)	-
Operating cash flows before working capital changes	**(233)**	**(11)**
Working capital adjustments:		
Movements in provisions	13	-
Increase in trade and other receivables and prepayments	(25)	-
Increase in trade and other payables	(1)	11
	(247)	**(0)**
Income tax paid	-	-
Net cash flows from operating activities	**(247)**	**(0)**
Investing activities		
Interest received (finance income)	255	-
Investment in subsidiary	(88,237)	-
Net cash flows from/(used in) investing activities	**(87,982)**	-
Financing activities		
Proceeds from issue of shares	89,060	-
Net cash flows from/ (used in) financing activities	**89,060**	-
Net increase / (decrease) in cash and cash equivalents	831	(0)
Cash and cash equivalents at the beginning of the year	218	218
Cash and cash equivalents at the end of the year	**1,049**	**218**

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

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

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

Place: Hyderabad
Date: 10 May 2017

for and on behalf of the Board of Directors

K Satish Reddy
Director

Venkatanarsimham Mannam
Director

(MSU)

Idea2 Enterprises (India) Private Limited

Note 1: Significant Accounting Policies & Notes to financial statements

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

Note 1 : Significant Accounting Policies & Notes to Accounts :

First Time Adoption of Ind AS:

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS).

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.11 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

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

Liabilities:

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

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

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

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other (income)/expense, net" in the consolidated income statement.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in the consolidated income statement as incurred.

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognized in the consolidated income statement on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	**3 - 15 years**
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	**4 - 10 years**
Vehicles	4 - 5 years
Computer equipment	**3 - 5 years**

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognized only when receipt of such reimbursements is virtually certain. Such reimbursements are recognized as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Idea2 Enterprises (India) Private Limited
Note 1: Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Segment Reporting

In terms of Ind AS 108 relating to "segment reporting", the company operates only in one segment and hence the requirements under the standard are not applicable to the company.

1.3 Related Party Transactions- Ind AS 24

The company has the following amounts due to related parties:

Name of Party	Nature of relationship	Nature of transaction	Closing Balance as on 31.03.2017	Closing Balance as on 31.03.2016
Dr. Reddy's Laboratories Limited	Holding Company	Borrowings	3,600	3,600

Transaction with related party:

Name of Party	Nature of relationship	Nature of transaction	For the year ended 31.03.2017	For the year ended 31.03.2016
Dr. Reddy's Laboratories Limited	Holding Company	Investment	88,237	0

1.4 Taxation - Ind AS 12

a. Current Year Taxation:

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Minimum Alternate Taxation (MAT) :

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

c. Deferred Tax:

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.5 Earnings Per Share : Ind AS 33

The computation of Earnings Per Share is set out below:

Particulars	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016
Earnings / (Loss) for the year	35	(11)
Weighted average number of equity shares		
outstanding during the year - Basic	24,58,379	23,77,826
outstanding during the year - Diluted	24,58,379	23,77,826
Earnings Per Share:		
Basic (face value of Rs.10)	0.014	(0.005)
Diluted (face value of Rs.10)	0.014	(0.005)

1.6 Details of dues to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Act, 2006

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2017 has been made in the financial statements based on information received and available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the aforesaid Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act. The particulars required to be disclosed are Nil.

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.7 Impairment of Assets

In the opinion of the management, there is no impairment of its assets as on 31 March 2017 requiring recognition in terms of Ind AS 36 prescribed by The Institute of Chartered Accountants of India (ICAI).

1.8 Provision for employee benefits

Ind AS 19 is not applicable to the company during the year as there are no employees .

1.9 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallization of these liabilities are dependent upon the outcome of court cases/arbitration/out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallize on the Company and may not have any material impact on the revenue.

1.10 Previous Period Figures

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

1.11 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.12 : Note on Specified Bank Notes (SBN) Transactions

Particulars	SBNs	Other denomination Notes	Total
Closing Cash in hand on 8.11.2016	-	-	-
(+) Permitted Receipts	-	-	-
(-) Permitted Payments	-	-	-
(-) Amounts deposited in Bank	-	-	-
Closing Cash in hand on 30.12.2016	-	-	-

Idea2 Enterprises (India) Private Limited

Statement of Changes in Equity

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

a. Equity Share Capital:	As at 31 March 2017	As at 31 March 2016	As at 01 April 2015
Equity shares of Rs. 10/- each issued	24,998	23,778	23,778
	24,998	23,778	23,778
Equity shares of INR 10/- each subscribed and fully paid-up	24,998	23,778	23,778

Idea2 Enterprises (India) Private Limited
Statement of Changes in Equity
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.6 Total equity

For the year ended 31 March, 2017

Particulars	Share Capital		Reserves and Surplus						Items of OCI				Total Equity
	Shares	Amount	Share Premium	Share based payment reserve	Capital Reserve	Capital Redemption reserve	General /Revlauation reserve	Retained Earnings	Hedge reserve	Fair value reserve	Actuarial gains / (losses)	Foreign currency translation reserve	
Balance as of 1 April 2015	23,77,826	23,778	-	-	-	-	14,36,964	(14,173)	-	-		-	14,46,569
Issue of equity		-	-	-	-	-	-		-	-		-	-
Profit for the period								(11)					(11)
Balance as of 31 March 2016	23,77,826	23,778	-	-	-	-	14,36,964	(14,184)	-	-	-	-	14,46,558
Issue of equity shares	1,22,000	1,220	87,840	-	-	-	-		-	-		-	89,060
Profit for the period								35					35
Balance as of 31 March 2017	24,99,826	24,998	87,840	-	-	-	14,36,964	(14,149)	-	-	-	-	**15,35,653**

Idea2 Enterprises (India) Private Limited

Note 2 : 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: Fixed Assets

Description	Gross block				Accumulated depreciation / amortisation / impairment				Net block	
	As at 1 April 2016	Additions	Deletions	As at 31 March 2017	As at 1 April 2016	For the year	Deletions	As at 31 March 2017	As at 31 March 2017	As at 1 April 2016
Land	14,49,989	-	-	14,49,989	-	-	-	-	14,49,989	14,49,989
Total tangible assets	14,49,989	-	-	14,49,989	-	-	-	-	14,49,989	14,49,989
Previous Year	14,49,989	-	-	14,49,989	-	-	-	-	14,49,989	14,49,989

Idea2 Enterprises (India) Private Limited

Note 2 : Notes 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 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
2,500,000 (previous year : 2,500,000) equity shares of Rs. 10/- each	25,000	25,000	25,000
	-	-	-
Issued equity capital			
2,377,826 (previous year : 2,377,826) equity shares of Rs. 10/- each fully paid up	23,778	23,778	23,778
122,000 (previous year : 2,377,826) equity shares of Rs.10/- each fully paid up	1,220	-	-
	24,998	**23,778**	**23,778**
Subscribed and fully paid-up			
2,377,826 (previous year : 2,377,826) equity shares of Rs. 10/- each fully paid up	23,778	23,778	23,778
122,000 (previous year : 2,377,826) equity shares of Rs.10/- each fully paid up	1,220	-	-
Add: Forfeited share capital (e)			
	24,998	**23,778**	**23,778**

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

Particulars	As at 31 March 2017		As at 31 March 2016		
	No. of equity shares	Amount	No. of equity shares		Amount
Number of shares outstanding at the beginning of the year	23,77,826	23,778	23,77,826		23,778
Shares issued during the year	1,22,000	1,220	-		-
Number of shares outstanding at the end of the year	24,99,826	24,998	23,77,826		23,778

(b) **Reconciliation of the Preference shares outstanding is set out below:**

Particulars	As at 31 March 2017		As at 31 March 2016		
	No. of shares	Amount	No. of shares		Amount
	NIL		NIL		

(c) **Terms / rights attached to the equity shares**

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

(d) **Details of shareholders holding more than 5% shares in the Company**

Particulars	As at 31 March 2017		As at 31 March 2016		
	No. of equity shares held	% holding in the class	No. of equity shares held		% holding in the class
Dr. Reddy's Laboratories Limtied (including shares held by nominees) *	24,99,726	100.00	23,77,826		100.00
Preference Shares					
	-		-		

** 100 share each INR 10 transferred to Dr.Reedys Bio-Scicences Limited

Idea2 Enterprises (India) Private Limited

Note 2: Notes 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 : Investment in Subsidiary

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Investment in DRL Impex Limited *	88,237	-	-
7,60,00,000 shares each Rs.10 @ Rs.1.61	**88,237**	-	-

2.3 : Cash and cash equivalent

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Balances with banks:			
- In current accounts	1,049	218	218
Cash and cash equivalents	**1,049**	**218**	**218**

2.4 : Other assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Current assets			
TDS Receivable	27	1	1
	27	**1**	**1**

2.7 : Other financial liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Other current financial liabilities			
Accrued expenses	49	38	26
Due to holding company	3,600	3,600	3,600
Total other financial liabilities	**3,649**	**3,638**	**3,626**

2.8 : Provisions

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Provision for tax	-	13	13
	-	**13**	**13**

2.9 : Other income

	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest income		
On fixed deposits	255	-
Miscellaneous income	-	-
	255	-

2.10 : Other expenses

	For the year ended 31 March 2017	For the year ended 31 March 2016
Rates and taxes	221	-
Audit fees	12	11
	233	**11**

As per our report of even date attached

for and on behalf of the Board of Directors

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

A. Ramachandra Rao & Co. HYDERABAD ICAI FRN.002857S Chartered Accountants

P S R R V Surya Rao
Partner
ICAI Membership No. 202367

K Satish Reddy
Director

Venkatanarsimham Mannam
Director

Place: Hyderabad
Date: 10 May 2017

IMPERIAL CREDIT PRIVATE LIMITED

2nd Floor, BA-38, Sector-I, Salt Lake City, Kolkata - 700064, West Bengal.
CIN : U06519WB1991PTC052604, E-mail : shares@drreddys.com
Tel: +91 40 4900 2145 Fax : +91 40 4904 8800

Board's Report

Dear Members,

Your Directors present the 26th Board's Report of the Company for the year ended 31 March 2017.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2016-17 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2017	31 March 2016
Total Revenue	16,76,486	2,14,676
Profit Before Tax	7,70,437	38,369
Profit After Tax	6,07,437	31,082

Company's Affairs

The Company's net revenue for the year was Rs 16.76 Lakhs as against 2.14 Lakhs in previous year. The profit before tax (PBT) is Rs. 7.7 Lakhs as against Rs 0.38 Lakhs in previous year. The Profit for the year increased to Rs. 6.07 Lakhs from Rs. 0.31 Lakhs in previous year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2017.

Transfer to reserves

The Company has transferred an amount of Rs 1,21,487/- amounting to twenty per cent of net profit of FY 2016-17 to Reserve Fund pursuant to Section 45-IC of Reserve Bank of India Act, 1934.

Share Capital

The authorised share capital of the Company increased from Rs.90,00,000 (Rupees Ninety Lakhs only) divided into 90,000 (Ninety Thousand) equity shares of Rs. 100/- each to Rs. 1,50,00,000 (Rupees One Crore Fifty Lakhs only) divided into 150,000 (One Lakh Fifty Thousand) equity shares of Rs. 100/- each by further creation of 60,000 (Sixty Thousand) equity shares of Rs.100/- each.

During the year under review, the Board of Directors, approved transfer of 100% stake in the Company to Dr. Reddy's Laboratories Limited at Rs. 250/- per Equity Share. The Company is a wholly owned subsidiary of Dr. Reddy's Laboratories Limited.

Further, the Company has made Rights Issue of 41,000 equity shares of face value of Rs.100/- each of the Company, at a fair value of Rs. 250/- aggregating to Rs. 1,02,50,000 (Rupees One Crore Two Lakh Fifty Thousand Only) to Dr. Reddy's Laboratories Limited (holding company).

The paid up share capital of the Company as on March 31, 2017 is Rs. 1,23,00,000/- (One Crore Twenty Three Lakhs) divided in 1,23,000 equity shares of Rs. 100/- per equity share.

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 made any Loans, Guarantees and Investments under section 186 of the Companies Act. 2013 during the year under review.

Number of Board meetings

The Company's Board met 10 times during the year on: a) 07.04.2016; b) 18.04.2016; c) 29.06.2016 31.10.2016; d) 20.12.2016; e) 22.02.2017 f) 05.08.2016 g) 22.02.2017 h) 03.03.2017 and i) 30.03.2017

Board of Directors:

Pursuant to sale of 100% stake in the Company to Dr. Reddy's Laboratories Limited there has been a change in organisational structure of the Company. During the year under review, Mr. Omkar Kakar, Mr. Myna Kakar and Mr. Manmohan Kakar have resigned as Directors of the Company.

Mr. Sujit Kumar Mahato, Mr. Y Kiran and Mr. K Ganesh have been appointed as Directors of the Company.

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 2016-17 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 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

During the year under review, the Company has not entered into contract or arrangement falling under the ambit of Section 188 of the Companies Act, 2013. Hence disclosure of particulars of contracts or arrangements with related parties in Form AOC-2 is not applicable.

Statutory Auditors

The Statutory Auditors of the Company, M/s. B M Chatrath & Co., Chartered Accountants, retire at the ensuing 26th Annual General Meeting.

The Board of Directors, have proposed appointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors till the conclusion of the 27th AGM, in place of the retiring Auditors, M/s. Chatrath & Co., Chartered Accountants.

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

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

Date: May 10, 2017
Place: Hyderabad

Sujit Kumar Mahato
Director

Kiran Yanamandra
Director

ANNEXURE I

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31 March, 2017
[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	U06510WB1991PTC052604
ii)	Registration Date	August 6, 1991
iii)	Name of the Company	Imperial Credit Private Limited
iv)	Category/Sub-Category of the Company	Private Company / Limited by Shares
v)	Address of the Registered office and contact details	2nd Floor, BA-38, Sector -1, Salt Lake, Kolkata, West Bengal - 700064
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:

Sr. no.	Name and Description of main products/services	NIC Code of the product/ service	% to total turnover of the company
1	Financial and Insurance Services	K65	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 – 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	82,000	82,000	100	0	123,000	123,000	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	82,000	82,000	100	0	123,000	123,000	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**	**82,000**	**82,000**	**100**	**0**	**123,000**	**123,000**	**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
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**	82,000	82,000	**100**	**0**	123,000	123,000 *	**100**	**100**

(*) Out of 123,000 equity shares, 10 equity shares are held by 1 individual as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	**Name 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	Onkar Kakar	46,440	56.63%	-	0	0	-	56.63%
2	Myna Kakar	25,500	31.10%	-	0	0	-	31.10%
3	Manmohan Kakar	9,850	12.01%	-	0	0	-	12.01%
4	Bhimla Bhatia	10	0.01%	-	0	0	-	0.01%
5	Santosh Kakar	150	0.02%	-	0	0	-	0.02%
6	Gayatri Kohli	50	0.06%	-	0	0	-	0.06%

7	Dr. Reddy's Laboratories Limited	0	0	-	123,000	100	-	100
		82,000	**100**	**0**	**123,000**	**100**	**0**	**0**

(*) Out of 123,000 equity shares, 10 equity shares are held by 1 individual as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

iii) Change in Promoters' Shareholding

Name of Shareholders	**Date**	**Shareholding at the beginning of the year**		**Increase / Decrease in shareholding**	**Reason**	**Cumulative Shareholding during the year**	
		No. of Shares	**% of total shares of the company**			**No. of Shares**	**% of total shares of the company**
Onkar Kakar	01.04.2016	46,440	56.63%			46,440	56.63%
	22.02.2017		100%	46,440	Sale of shares to Dr. Reddy's Laboratories Limited	0	0
	31.03.2017	**0**	**0**			**0**	**0**
Myna Kakar	01.04.2016	25,500	31.10%			25,500	31.10%
	14.09.2016		100%	25,500	Sale of shares to Dr. Reddy's Laboratories Limited	0	0
	31.03.2017	**0**	**0**			**0**	**0**
Manmohan Kakar	01.04.2016	9,850	12.01%			9850	12.01%
	14.09.2016			9,850	Sale of shares to Dr. Reddy's Laboratories Limited	0	0
	31.03.2017	**0**	**0**			**0**	**0**
Bhimla Bhatia	01.04.2016	10	0.01%			10	0.01%
	14.09.2016			10	Sale of shares to Dr. Reddy's Laboratories Limited	0	0
	31.03.2017	**0**	**0**			**0**	**0**
Santosh Kakar	01.04.2016	150	0.02%			150	0.02%
	14.09.2016			150	Sale of shares to Dr. Reddy's Laboratories Limited	0	0
	31.03.2017	**0**	**0**			**0**	**0**
Gayatri Kohli	01.04.2016	50	0.06%			50	0.06%
	14.09.2016			50	Sale of shares to Dr. Reddy's Laboratories Limited	0	0
	31.03.2017	**0**	**0**			**0**	**0**
Dr. Reddy's Laboratories Limited	01.04.2016	**0**	**0**				
	22.02.2017			82000	Purchase of shares	82000	100
	30.03.2017			41000	Rights Issue	123,000	100
	31.03.2017	**123,000**	**100**			**123,000**	**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	Onkar Kakar *	01.04.2016	46,440	56.63%		Transfer of Shares to Dr. Reddy's Laboratories Limited	46,440	56.63%
		22.02.2017			46,440		0	0
		31.03.2017	0	0			0	0
2	Myna Kakar #	01.04.2016	25,500	31.10%			25,500	31.10%
		22.02.2017			25,500		0	0
		31.03.2017	0	0			0	0
3	Manmohan Kakar #	01.04.2016	9850	12.01%			9850	12.01%
		22.02.2017			9850		0	0
		31.03.2017	0	0			0	0
4	Sujit Kumar@	01.04.2016	0	0	0	-	0	0
		31.03.2017	0	0	0	-	0	0
5	K Ganesh @	01.04.2016	0	0		On behalf of Dr. Reddy's Laboratories Limited(holding company)	0	0
		22.02.2017			10		10	0
		31.03.2017	10	0			10	0
6	Kiran Y^	01.04.2016	0	0	0	-	0	0
		31.03.2017	0	0	0	-	0	0
B. KEY MANAGEMENT PERSONNEL (KMPs) - Nil								

* Resigned with effect from February 23, 2017 # Resigned with effect from February 22, 2017
@ Appointed with effect from 22.02.2017 ^appointed with effect from 30.03.2017

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 – NA

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

For and on behalf of the Board of Directors

Date: May 10, 2017
Place: Hyderabad

Sujit Kumar Mahato
Director

Kiran Yanamandra
Director

B.M. CHATRATH & CO.
CHARTERED ACCOUNTANTS
CENTRE POINT, 4th FLOOR, Room No. 440
21, HEMANTA BASU SARANI, KOLKATA - 700 001
(FORMERLY OLD COURT HOUSE STREET)
TEL : 2248-4575/4667/6810/6798, 2210-1385
FAX/TEL : 2248-9934
E-mail : bmccal@bmchatrath.in , bmccal@dataone.in
bmccal@bmchatrath.com
Website : www.bmchatrath.com

INDEPENDENT AUDITOR'S REPORT

To The Members of IMPERIAL CREDIT PRIVATE LIMITED

Report on the Financial Statements:

We have audited the accompanying financial statements of **Imperial Credit Private Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2017, and the Statement of Profit and Loss and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act. 2013 ("the Act") with respect to the preparation and presentation of these Financial Statements that give a true and fair view of the financial position and financial performance 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. The 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.

B.M. CHATRATH & CO. * CHARTERED ACCOUNTANTS * KOLKATA

BRANCHES AT : NEW DELHI TEL : 0120-4742008, MUMBAI TEL : 09320202114, HYDERABAD - 09949310001, JAIPUR - 0141-2601727

Auditors' 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 matter 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on effectiveness of the Company's Internal Control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion:

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

a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2017;

and

b) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date.

B.M. CHATRATH & CO. ★ CHARTERED ACCOUNTANTS ★ KOLKATA

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditors Report) Order, 2016 ('the order') , issued by the Central Government of India in terms of sub-section (11) of the section 143 of the Act, we give in the Annexure A, a statement on the matter specified in the paragraph 3 and 4 of the order.

2. As required by section 143(3) of the act we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our Audit.

   b) In our opinion, proper books of accounts 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 & loss dealt with by these report are in agreement with the books of Accounts.

   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 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as 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-A.

   g) With respect to the other matters to be included in the Auditors Report in accordance with the Rule 11 of the companies (Audit & Auditors) Rules, 2014 in our opinion & to the best of our information and according to the explanation 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 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.

B.M. CHATRATH & CO. * CHARTERED ACCOUNTANTS * KOLKATA

3. Details of Specified Bank Notes (SBN) held and transacted during the period the period 08/11/2016 to 30/12/2016 as provided in the Table below:-

	SBNs	**Other denomination notes**	**Total (Rs.)**
Closing cash in the hand as on 08.11.2016	500	-	33,655
(+) Permitted receipts	-	-	-
(-) Permitted payments	-	-	-
(-) Amount deposited in Banks	500	-	30,000
Closing cash in the hand as on 30.12.2016	-	-	3,655

For, **B.M.Chatrath& Co.**
Chartered Accountants
Firm Registration Number: 301011E

B.M. CHATRATH & CO. KOLKATA CHARTERED ACCOUNTANTS

Place: Kolkata
Date: 10.05.2017

S. K. Basu
(Partner)
Membership Number: 054484

Annexure - A to the Auditors' Report

The Annexure referred to in Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2017, 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 fixed assets are verified in a phased manner 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, this 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 explanations 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 Company is a service company, primarily rendering NBFC services. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable to the Company.

(iii) The Company has not granted loans to any bodies corporate. Thus, maintaining the register under section 189 of the Companies Act, 2013 ('the Act') is not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to the loans and investments made.

(v) The Company has not accepted any deposits from the public.

(vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, income-tax, sales tax, value added tax, duty of customs, service tax, cess and other material statutory dues have 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 employees' state insurance and duty of excise. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, sales tax, value added tax, duty of customs, service tax, cess and other material statutory dues were in arrears as at 31 March 2017 for a period of more than six months from the date they became payable.

B.M. CHATRATH & CO. CHARTERED ACCOUNTANTS KOLKATA

(b) According to the information and explanations given to us, there are no material dues of duty of customs which have not been deposited with the appropriate authorities on account of any dispute.

(viii) The Company does not have any loans or borrowings from any financial institution, banks, government or debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable.

(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 material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration as the same was not mandated by the provisions of section 197 read with Schedule V to the 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 based on our examination of the records of the Company, the Company has no related parties transactions and so the sections 177 and 188 of the Act are not applicable.

(xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has made Right Issue of 41,000 Shares to DRL during the year under review as the requirement of section 42 of the Companies Act, 2013 have been complied with and the amount raised have been used for the purposes for which the funds were raised.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

B.M. CHATRATH & CO. KOLKATA CHARTERED ACCOUNTANTS

(xvi) The Company registered under section 45-IA of the Reserve Bank of India Act 1934.

For, **B.M.Chatrath& Co.**
Chartered Accountants
Firm Registration Number: 301011E

B.M. CHATRATH & CO. ★ CHARTERED ACCOUNTANTS ★ KOLKATA

Place: Kolkata
Date: 10.05.2017

S. K. Basu
(Partner)
Membership Number: 054484

IMPERIAL CREDIT PRIVATE LIMITED

2nd Floor, BA-38, Sector - 1, Salt Lake, Kolkata - 700 064

BALANCE SHEET AS AT 31ST MARCH, 2017

Particulars	Note No.	As at 31st March, 2017(Rs.)		As at 31st March, 2016(Rs.)	
EQUITY AND LIABILITIES					
Shareholders' Funds			20,918,601		10,089,750
(a) Share Capital	2.1	12,300,000		8,200,000	
(b) Reserves and Surplus	2.2	8,618,601		1,889,750	
Non-Current Liabilities			0		26,645
Deferred Tax Liabilities	2.3	0		18,914	
Long Term Provision	2.4	0		7,731	
Current Liabilities			202,587		250,456
(a) Other current liabilities	2.5	20,000		238,600	
(b) Short Term Provisions	2.6	182,587		11,856	
Total Equity & Liabilities			21,121,188		10,366,851
ASSETS					
Non-Current Assets			0		2,360,831
(a) Fixed Assets					
Tangible Assets	2.7	0		201,727	
(b) Non Current Investment	2.8	0		1,200,832	
(d) Long Term Loans & Advances	2.9	0		958,272	
Current Assets			21,121,188		8,006,020
(a) Inventories	2.10	0		247,604	
(c) Cash and Cash Equivalent	2.11	20,944,657		7,742,238	
(d) Short-term loans & advances	2.12	176,531		3,601	
(e) Other Current Assets	2.13	0		12,577	
Total Assets			21,121,188		10,366,851
Significant Accounting Policies and Notes are an integral part of the Financial Statements As per our Report annexed.			1		

FOR B.M CHATRATH & CO.
CHARTERED ACCOUNTANTS
Firm Reg. No.: 301011E

S. K. Basu
(Partner)
Membership No. : 054484

B.M. CHATRATH & CO. KOLKATA CHARTERED ACCOUNTANTS

FOR IMPERIAL CREDIT PRIVATE LIMITED

(DIRECTOR)

(DIRECTOR)

PLACE: KOLKATA
DATED: 10.05.2017

IMPERIAL CREDIT PRIVATE LIMITED

2nd Floor, BA-38, Sector - 1, Salt Lake, Kolkata - 700 064

PROFIT & LOSS A/C FOR THE PERIOD ENDED ON 31ST MARCH, 2017

Particulars	Note No.	For the year ended 31st March,2017(Rs.)	For the year ended 31st March,2016(Rs.)
Revenue From Operations	2.14	1676486	214676
Total Revenue (I)		1676486	214676
Expenses:			
Changes in Inventories	2.15	247604	-9057
Directors Sitting Fees	2.16	0	1200
Depreciation	2.17	38758	69797
Other Expenses	2.18	619687	114367
Total Expenses (II)		906049	176307
Profit before tax	**(I-II)**	**770437**	**38369**
Tax expense:			
(1) Current tax@30.90%		163000	11856
(2) Deferred tax Asset/ (Liabilities)		0	4569
Profit/(Loss) for the period		607437	31082
Earning per equity share	2.19	4.94	0.38
Significant Accounting Policies and Notes are an integral part of the Financial Statements As per our Report annexed.	1		

FOR B.M CHATRATH & CO.
CHARTERED ACCOUNTANTS
Firm Reg. No.: 301011E

B.M. CHATRATH & CO. CHARTERED ACCOUNTANTS KOLKATA

S. K. Basu
(Partner)
Membership No. : 054484

FOR IMPERIAL CREDIT PRIVATE LIMITED

(DIRECTOR)

(DIRECTOR)

PLACE: KOLKATA
DATED: 10.05.2017

IMPERIAL CREDIT PRIVATE LIMITED

2nd Floor, BA-38, Sector - I, Salt Lake, Kolkata - 700 064

STATEMENT SHOWING CASHFLOW FOR THE PERIOD ENDED 31ST MARCH, 2017

Particulars	31st March, 2017 Amount (Rs.)
Cash Flows from Operating Activities	
Net Profit before Taxation	770,437
Adjustments for non cash expenditure:	
Depreciation	38,758
Loss on the sale of shares	449,732
Loss on the sale of property, plant & equipment	62,969
Provision for Tax written back	(17,432)
Dividend Income	(297)
Interest on HDFC-Fixed Deposit	(43,145)
Profit on the sale of Mutual Fund	(794,211)
Operating Profit Before Working Capital Changes	**466,811**
Changes in Working Capital	
Decrease in Other Current Assets	12,577
Decrease in Inventories	247,604
Increase in Short-term loans & advances	(172,930)
Decrease in Other Current Liabilities	(201,168)
Net Cash from Operating Activities	**352,894**
Less: Income Tax Paid during the year	
Net Cash Flow from Operating Activities (A)	**352,894**
Cash flows from Investing Activities	
Dividend Income	297
Interest on HDFC-Fixed Deposit	43,145
Sale of Mutual Funds	1,227,791
Sale of Shares	317,520
Sale of Fixed Assets	100,000
Recovery of Long Term Loans and Advances	958,272
Net Cash flows from Investing Activities (B)	**2,647,025**
Cash flows from Financing Activities	
Proceeds from issue of share capital	4,100,000
Premium on issue of share capital	6,102,500
Cash flows from Financing Activities (C)	**10,202,500**
Net increase in Cash & Cash Equivalents (A + B + C)	**13,202,419**
Cash & Cash Equivalents at the Beginning of Period	7,742,238
Cash & Cash Equivalents at the end of Period	**20,944,657**
Cash & Cash Equivalents comprises of:	
Cash in hand	**3,655**
Cash at Bank and Deposits with Banks	**20,941,002**
	20,944,657

FOR B.M CHATRATH & CO.
CHARTERED ACCOUNTANTS
Firm Reg. No.: 301011E

FOR IMPERIAL CREDIT PRIVATE LIMITED

B.M. CHATRATH & CO. ★ CHARTERED ACCOUNTANTS ★ KOLKATA

(DIRECTOR) (DIRECTOR)

S. K. Basu
(Partner)
Membership No. : 054484

PLACE: KOLKATA
DATED: 10.05.2017

IMPERIAL CREDIT PRIVATE LIMITED

2nd Floor, BA-38, Sector - 1, Salt Lake, Kolkata - 700 064

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31 ST MARCH, 2017

NOTE NO-1 SIGNIFICANT ACCOUNTING POLICIES

a) GENERAL

i) The Financial Statement of the company have been prepared to comply with all material respects with the Accountiong Standard notified by companies (Accounting Standard) Rules 2006 (as ammended) and the relevent provision of the Companies Act 2013.The Financial Statements have been prepared under the historical cost convention on an accrual basis.The accountng policy have been constantly applied by the company.

ii)The Preperation of Financial Statements is in confirmity with Generally accepted Accountig Principles requires management to make estimates and assumptons that affect the reported amounts of Assets & Liablities and disclosure of Contingent Liabilities at the date of Financial Statement and the result of operation during the reporting year end although there estimates are based upon management's best knowledge of cuurent events and actions,actual differ from these estimates.

b) REVENUE RECOGNITION

Items of Income and Expenditure are recognized on Accrual basis with due compliance with Accounting principles Generally accepted in India as recommended by the Institute of Chartered Accountants of India.

The income from Dividends from Investments in shares are recognised in the Statement of Profit & Loss when the company's right to receive the payment is established by the reporting date.

Profit / Loss on sale of investments is recognised at the time of actual sale / redemption.

c) TAXES ON INCOME

Current tax is the amount of Tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred Tax is recognized on Timing difference , being the difference between taxable Income and Accounting Income that originates in one period and is capable of reversal in one or more subsequent period .

Deferred Tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is virtual certainty that there will be sufficient future taxable income available to realize such losses .

B.M. CHATRATH & CO. CHARTERED ACCOUNTANTS KOLKATA

d) INVESTMENTS

The Company being regulated as a Non-Banking Financial Company (NBFC) by the RBI, investments are classified under two categories i.e. Current and Non-Current and are valued in accordance with the RBI guidelines and the Accounting Standard (AS) - 13 on ' Accounting for Investments '.

' Long Term Investment ' are carried at acquisition / amortised cost. A provision is made for diminution, other than temporary, on an individual investment basis.

' Current Investments ' are carried at lower if the cost or fair value on an individual investment basis.

e) EARNING PER SHARE

Basic earning per share are calculated by dividing net profit for the year attributable to ordinary equity shares by the number of Equity Shares.

f) INVENTORY

Inventories are stated at the lower of cost or Net Realisable Valuable (NRV) as per the requirements of Accounting Standard-2

g) DEPRECIATION

i) Depreciation on Fixed Assets is provided on Written Down Value (WDV) method based on the useful life of the Assets as prescribed in Schedule II of the Companies Acts 2013.

ii) Depreciation on Addition of Assets is provided on pro-rata basis from the month following the Month of purchase.

B.M. CHATRATH & CO. KOLKATA CHARTERED ACCOUNTANTS

IMPERIAL CREDIT PRIVATE LIMITED

2nd Floor, BA-38, Sector - 1, Salt Lake, Kolkata - 700 064

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

2.1 Share Capital

Sl. No	Particulars	As at 31st March'2017 (Rs.)	As at 31st March'2016 (Rs.)
	AUTHORIZED CAPITAL		
1	1,50,000 Equity Shares of Rs. 100/- each.	15,000,000	9,000,000
	Total	15,000,000	9,000,000
2	**ISSUED , SUBSCRIBED & PAID UP CAPITAL**		
	1,23,000 Equity Shares of Rs. 100/- each, Fully paid	12,300,000	8,200,000
	Total	12,300,000	8,200,000

(a) The Company has one class of Issued Share i.e. Equity Shares having face value of Rs. 100/- per share. Each holder of ordinary shares is entitled to one vote per share and right for dividend.

(b) Reconciliation of Shares Outstanding:-

SL. No.	Particulars	As at 31st March 2017		As at 31st March 2016	
		No of Shares	Amount (Rs.)	No of Shares	Amount (Rs.)
1	Share outstanding at the beginning of the period	82000	8,200,000	26000	2,600,000
2	Share issued during the period	41000	4,100,000	56000	5,600,000
3	Shares bought back during the period	-	-	-	-
4	Share outstanding at the end of the period	123000	12,300,000	82000	8,200,000

(c) Disclosure of shareholders holding more than 5 percent share in the Company:

SL. No.	Name of Shareholders	As at 31st March 2017		As at 31st March 2016	
		No of Shares	Percentage	No of Shares	Percentage
1	Manmohan Kakar	0	0.00	10000	12.19
2	Onkar Kakar	0	0.00	46440	56.63
3	Myna Kakar	0	0.00	25500	31.09
4	Dr. Reddy's laboratories Limited	122990	99.99	0.00	0
5	K. Ganesh (Nominee of DRLL)	10	0.01	0	0.00

(d) No shares have been reserved for issue under option and contracts/commitments for the sale of shares /disinvestment as at the Balance Sheet date.

(e) No Shares have been allotted by way of Bonus share or pursuant to contracts or has been bought back by the Company during the period of five years preceding the date at which the Balance Sheet is prepared.

(f) No Convertible Securities have been issued by the Company during the year.

(g) No calls are unpaid by any Director and Officer of the Company during the year.

B.M. CHATRATH & CO. KOLKATA CHARTERED ACCOUNTANTS

IMPERIAL CREDIT PRIVATE LIMITED

2nd Floor, BA-38, Sector - 1, Salt Lake, Kolkata - 700 064

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

2.2 Reserve & Surplus

Sl. No	Particulars	As at 31st March'2017 (Rs.)	As at 31st March'2016 (Rs.)
1	**Reserve u/s 45-IC of Reserve Bank of India Act, 1934**		
	Transfer to Reserve u/s 45-IC of Reserve Bank of India Act, 1934 from the Net Profit of Earlier Years.	128,850	122,634
	Add :- Transferred from surplus in the Statement of Profit and Loss	121,487	6,216
	Closing Balance (A)	**250,338**	**128,850**
2	**Surplus**		
	As per last financial statement	644,250	613,168
	Add: Profit for the year	607,437	31,082
	Add: Deferred Tax liabilities w/off	18,914	0
	Less :-Transfer to Reserve u/s 45-IC of Reserve Bank of India Act, 1934 from the Net Profit of Earlier Years.	128,850	122,634
	Less :- Transfer to Reserve u/s 45-IC of Reserve Bank of India Act, 1934.	121,487	6,216
	Closing Balance (B)	**1,020,263**	**515,400**
3	**Share premium**	**1,245,500**	1,400,000
	Add :- Addition during the year	**6,150,000**	0
	Less :- Cost incurred for share issue	**47,500**	154,500
	Closing Balance (C)	**7,348,000**	**1,245,500**
	TOTAL (A + B + C)	**8,618,601**	**1,889,750**

2.3 Deferred Tax Liabilities

	Particulars	As at 31st March'2017 (Rs.)	As at 31st March'2016 (Rs.)
	Deferred Tax Liabilities(Upto previous year)	0	23,483
	Less : Current year's Deffered Tax Assets	0	4,569
	Total	**0**	18,914

2.4 Long Term Provision

Sl. No	Particulars	As at 31st March'2017 (Rs.)	As at 31st March'2016 (Rs.)
1	Provision for Tax- 2014-15	0	7,731
	Total	**0**	7,731

2.5 Other Current Liabilities

Sl. No	Particulars	As at 31st March'2017 (Rs.)	As at 31st March'2016 (Rs.)
1	Provision for Expenses	20,000	142,100
2	Cost incurred for share issue	0	96,500
	Total	20,000	238,600

2.6 Short Term Provisions

Sl. No	Particulars	As at 31st March'2017 (Rs.)	As at 31st March'2016 (Rs.)
	Provision for Tax F.Y. 2016-17	182,587	11,856
	Total	**182,587**	11,856

B.M. CHATRATH & CO. KOLKATA CHARTERED ACCOUNTANTS

IMPERIAL CREDIT PRIVATE LIMITED

2nd Floor, BA-38, Sector - 1, Salt Lake, Kolkata - 700 064

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

2.7 Fixed Assets

Tangible Asset	GROSS BLOCK - AT COST				DEPRECIATION / AMORTISATION				NET BLOCK	
	As on 1st April,2016	Addition	Disposal	As on 31st March,2017	As on 1st April,2016	For the Year	Disposals	As on 31st March,2017	As on 31st March,2017	As on 31st March,2016
Air Conditioner	53,240	-	53,240	-	50578	-	50,578	-	-	2662
Computer	42,500	-	42,500	-	42500	-	42,500	-	-	-
Water Filter	3,500	-	3,500	-	3500	-	3,500	-	-	-
Motor Car	400,000	-	400,000	-	200935	38758	239,693	-	-	199065
Total	**499,240**	-	499,240	-	**297,513**	**38,758**	336,271	-	-	**201,727**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2016

2.7 Fixed Assets

Tangible Asset	GROSS BLOCK - AT COST				DEPRECIATION / AMORTISATION				NET BLOCK	
	As on 1st April,2015	Addition	Disposal	As on 31st March,2016	As on 1st April,2015	For the Year	Disposals	As on 31st March,2016	As on 31st March,2016	As on 31st March,2015
Air Conditioner	53,240	-	-	53240	50578	-	-	50578	2662	2662
Computer	42,500	-	-	42,500	42500	-	-	42,500	-	-
Water Filter	3,500	-	-	3,500	3500	-	-	3,500	-	-
Motor Car	400,000	-	-	400,000	131138	69797	-	200,935	199,065	268862
Total	**499,240**	-	-	**499,240**	**227,716**	**69,797**	-	**297,513**	**201,727**	**271,524**

B.M. CHATRATH & CO. * CHARTERED ACCOUNTANTS * KOLKATA

IMPERIAL CREDIT PRIVATE LIMITED

2nd Floor, BA-38, Sector - 1, Salt Lake, Kolkata - 700 064

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

2.8 Non Current Investment (At Cost).

Sl. No	Particulars	No. Of Shares as on 31st March'2017	Market Value as on 31st March'17 2017	Cost as on 31st March'2017 (Rs)	Cost as on 31st March'2016 (Rs)
1	**Investment in Quoted Equity Instruments (Fully Paid)**				
	Essar Shipping Ltd.	0	0	0	225,610
	Petron Engineering Construction Ltd.	0	0	0	282,874
	Prakash Industries Ltd	0	0	0	187,820
	Reliance Industries Ltd.	0	0	0	16,800
	Jenson and Nicholson (India) Ltd.	0	0	0	29,700
	Nicco Parks and Resorts Ltd.	0	0	0	24,448
	Total (A)		**0**	**0**	**767,252**
2	**Units in Mutual Fund (Quoted)(Fully Paid)**	**No. of Units**	**NAV as on 31.03.2017**	**Cost as on 31st March'2017(Rs)**	**Cost as on 31st March'2016(Rs)**
	Investment in Mutual Fund				
	Franklin India Flexi Cap Fund	0	0	0	133,580
	Franklin India Prima Plus Fund	0	0	0	300,000
	Total (B)	0	**0**	**0**	**433,580**
	Total(A+B)	**0**	**0**	**0**	**1,200,832**

IMPERIAL CREDIT PRIVATE LIMITED

2nd Floor, BA-38, Sector - 1, Salt Lake, Kolkata - 700 064

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

2.9 Long Term Loans and Advances

Sl. No	Particulars	As at 31st March'2017(Rs.)	As at 31st March'2016(Rs.)
1	**Loans and Advances**		
	Advance to related party S M Advisory & Broking Private Limited	0	776049
	Advance to related party S M Advisory Services Private Limited	0	163086
	Total (A)	0	939135
2	**Security Deposit**		
	BSNL	0	2000
	CESC	0	9402
	Total (B)	**0**	11402
3	T.D.S Receivable/ Income Tax	0	4235
			3500
	Total (C)	**0**	**7735**
	Total (A+B+ C)	**0**	**958272**

B.M. CHATRATH & CO. KOLKATA CHARTERED ACCOUNTANTS

IMPERIAL CREDIT PRIVATE LIMITED

2nd Floor, BA-38, Sector - 1, Salt Lake, Kolkata - 700 064

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

2.8 Non Current Investment (At Cost).

Sl. No	Particulars	No. Of Shares as on 31st March'2017	Market Value as on 31st March'17 2017	Cost as on 31st March'2017 (Rs)	Cost as on 31st March'2016 (Rs)
1	**Investment in Quoted Equity Instruments (Fully Paid)**				
	Essar Shipping Ltd.	0	0	0	225,610
	Petron Engineering Construction Ltd.	0	0	0	282,874
	Prakash Industries Ltd	0	0	0	187,820
	Reliance Industries Ltd.	0	0	0	16,800
	Jenson and Nicholson (India) Ltd.	0	0	0	29,700
	Nicco Parks and Resorts Ltd.	0	0	0	24,448
	Total (A)		0	**0**	**767,252**
2	**Units in Mutual Fund (Quoted)(Fully Paid)**	No. of Units	NAV as on 31.03.2017	Cost as on 31st March'2017(Rs)	Cost as on 31st March'2016(Rs)
	Investment in Mutual Fund				
	Franklin India Flexi Cap Fund	0	0	0	133,580
	Franklin India Prima Plus Fund	0	0	0	300,000
	Total (B)	0	**0**	**0**	**433,580**
	Total(A+B)	**0**	**0**	**0**	**1,200,832**

IMPERIAL CREDIT PRIVATE LIMITED

2nd Floor, BA-38, Sector - 1, Salt Lake, Kolkata - 700 064

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

2.9 Long Term Loans and Advances

Sl. No	Particulars	As at 31st March'2017(Rs.)	As at 31st March'2016(Rs.)
1	**Loans and Advances**		
	Advance to related party S M Advisory & Broking Private Limited	0	776049
	Advance to related party S M Advisory Services Private Limited	0	163086
	Total (A)	0	939135
2	**Security Deposit**		
	BSNL	0	2000
	CESC	0	9402
	Total (B)	0	11402
3	T.D.S Receivable/ Income Tax	0	4235
			3500
	Total (C)	0	7735
	Total (A+B+ C)	0	958272

B.M. CHATRATH & CO. KOLKATA CHARTERED ACCOUNTANTS

IMPERIAL CREDIT PRIVATE LIMITED

2nd Floor, BA-38, Sector - 1, Salt Lake, Kolkata - 700 064

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

2.10 Inventories

Sl. No	Particulars	No. of Shares as at 31st March'2017	Market Value as at 31st March'2017 (Rs)	Cost as at 31st March'2017(Rs.)	No. of Shares as at 31st March'2016	Market Value as at 31st March'2016 (Rs)	Cost as at 31st March'2016(Rs.)
	Equity Instruments						
1	**Inventories (Stock- in- Trade) Quoted.**						
	Dish Tv India Ltd.	0	0	0	1000	86800	95,550
	Kernex Microsystem (India) Ltd.	0	0	0	110	3503.5	44,160
	Nirlon Ltd.	0	0	0	500	92450	52,380
	Khoday India Ltd.	0	0	0	1000	64850	290,640
	Total (A)		**0**	**0**		**247,604**	**482,730**
2	**Inventories (Stock- in- Trade) Unquoted.**						
	Belleary Steels Private Limited	0	0	0	10000	0	98,000
	Kolar Biotech Ltd.	0	0	0	10000	0	18,000
	Total (B)		**0**	**0**		**0**	**116000**
	Total (A +B)		**0**	**0**		**247,604**	**598,730**

B.M. CHATRATH & CO. * CHARTERED ACCOUNTANTS * KOLKATA

IMPERIAL CREDIT PRIVATE LIMITED

2nd Floor, BA-38, Sector - 1, Salt Lake, Kolkata - 700 064

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

2.11 Cash & Cash Equivalents

Sl. No	Particulars	As at 31st March'2017 (Rs.)	As at 31st March'2016 (Rs.)
	Cash-in-Hand		
1	Cash Balance	3655	3605
			0
	Sub Total (A)	**3655**	**3605**
2	**Balance with Schedule Bank**		
	In Current Account with HDFC Bank	20941002	7238633
	In Deposit Account with HDFC Bank (With less than One Year Maturity)	**0**	500000
	Sub Total (B)	**20941002**	**7738633**
	Total [A + B]	**20944657**	**7742238**

2.12 Short-term loans & advances

Sl. No	Particulars	As at 31st March'2017 (Rs.)	As at 31st March'2016 (Rs.)
1	Advance against Purchase given to Imperial Advisory Services Private Ltd	0	0
	Alipore Vinimay Private Limited	0	0
2	**TDS Receivable/ Advance Tax**		
	F.Y. 2016-17	176531	3601
	Total	**176531**	3601

2.13 Other Current Assets (Unsecured, Considered Good)

Sl. No	Particulars	As at 31st March'2017 (Rs.)	As at 31st March'2016 (Rs.)
1	Interest Receivable on Fixed Deposits with HDFC Bank	0	10655
2	Smifs Securities (Margin Money)	0	1922
	Total	**0**	12577

B.M. CHATRATH & CO. KOLKATA CHARTERED ACCOUNTANTS

IMPERIAL CREDIT PRIVATE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

2.14 Revenue from operations

Sl. No	Particulars	As at 31st March'2017(Rs.)	As at 31st March'2016(Rs.)
1	Dividend	297	672
2	Interest on HDFC-Fixed Deposit	43,145	36,012
3	Profit on Sale of Mutual Fund(Long Term Capital Gain)	794,211	70,019
4	Interest on Loan	522,986	0
5	Share Sales	298,415	0
6	Provision Written Back	17,432	107,973
	Total	1,676,486	**214,676**

2.15 Changes in Inventories

Sl. No	Particulars	As at 31st March'2017(Rs.)	As at 31st March'2016(Rs.)
1	Opening Stock	247,604	238,547
2	Less: Closing Stock	0	247,604
	Total	**247,604**	-9,057

2.16 Employee Benefit Expenses

Sl. No	Particulars	As at 31st March'2017(Rs.)	As at 31st March'2016(Rs.)
	Directors sitting Fess	0	1,200
	Total	**0**	**1,200**

2.17 Depreciation

Sl. No	Particulars	As at 31st March'2017(Rs.)	As at 31st March'2016 (Rs.)
	Depreciation	38,758	69,797
	Total	**38,758**	**69,797**

2.18 Other Expenses

Sl. No	Particulars	As at 31st March'2017(Rs.)	As at 31st March'2016(Rs.)
1	Accounting Charges	0	30,000
2	Administrative Charges	0	24,000
3	Car expenses	54,700	20,332
4	Filing Fees	13,000	3,218
5	Insurance - Motor Car	8,292	9,114
6	Rent A/C	0	6,000
7	Trade License	4,250	4,250
8	Travelling Expenses	0	0
9	Professional / W.B Tax	2,500	2,500
10	Audit Fees	20,000	11,500
11	General Charges	18	1,338
12	Repair and Maintenace (Office Painting)	0	0
13	Bank Charges	3,226	115
14	Professional Fee	1,000	2,000
15	Loss on Sale of Shares (Long Term Capital Loss)	449,732	0
16	Loss on Sale of Fixed Assets	62,969	0
	Total	**619,687**	**114,367**

2.19 Earning per Share

Sl. No	Particulars	As at 31st March'2017	As at 31st March'2016
	Basic		
(i)	(i) Number of Equity Shares outstanding for the period (Equity Share of Rs.100 each)	123,000	82,000
(ii)	(ii) Profit after Tax attributable to Equity Shareholders	607,437	31,082
(iii	(iii) Basic Earning per share [(ii)/ (i)]	5	0

B.M. CHATRATH & CO. KOLKATA CHARTERED ACCOUNTANTS

IMPERIAL CREDIT PRIVATE LIMITED

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31.03.2017

2.20 During the year under Audit the under noted Directors has been replaced by:

Previous Directors	Current Directors
Manmohan Kakar	Sujit Kumar Mahato
Onkar Kakar	Kiran Yanamandra
Myna Kakar	K. Ganesh

All the ROC formalities in connection with the above has been checked and found in order.

2.21 Revenue Recognition:

(a) Revenue is recognized to the extent that it is probable that the economic benefits will flow the Company & Revenue can be reliably measured.

(b) Profit / Loss on sale of Investments is recognized at the time of Actual Sale.

(c) Dividend Income is Recognised when the company's right to receive is established by the reporting date.

2.22 No provision for Gratuity, Leave Pay and Bonus have been made in accounts for the year ended 31st March, 2017 as there was no Employee.

2.23 Deferred Tax Calculation for 2016-17

Particulars	As on 31.03.2017	As on 31.03.2016
Depreciation as per Books	Nil	69,797
Less: Depreciation as per IT Act, 1961	Nil	55,009
Timing Difference	Nil	14,788
Tax Rate	Nil	30.90%
Deferred Tax (+) Assets / (-) Liabilities	**Nil**	**4,569**

B.M. CHATRATH & CO. KOLKATA CHARTERED ACCOUNTANTS

2.24 Payment to Auditors

Particulars	2016-17 (Rs.)	2015-16 (Rs.)
Statutory Audit Fees	20,000	11,500

2.25 There is no Micro, Small & Medium Enterprises as defined in the Micro, Small & Medium Enterprise Development Act, 2006, to whom the company owes dues on amount of Principle together with interest. Therefore no additional disclosure is made.

2.26 The Company does not have any Contingent Liability as on 31st March, 2017.

2.27 Previous year figures has been re-arranged / re-grouped whenever necessary.

B.M. CHATRATH & CO. KOLKATA CHARTERED ACCOUNTANTS

Industrias Químicas Falcon de México, S. A. de C. V.

Financial statements

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

(Translation from Spanish Language Original)

Independent Auditors' Report

(Translation from Spanish Language Original)

The Board of Directors and Stockholders
Industrias Químicas Falcon de México, S. A. de C. V.;

Opinion

We have audited the financial statements of Industrias Químicas Falcon de México, S. A. de C. V. (the Company), which comprise the statements of financial position as at December 31, 2016 and 2015, the statements of income, changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Industrias Químicas Falcon de México, S. A. de C. V. as at December 31, 2016 and 2015, and its results and it cash flows for the years then ended, in accordance with Mexican Financial Reporting Standards (FRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with FRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG CARDENAS DOSAL, S. C.

Sergio R. Betancourt

Mexico City, March 20, 2017

Industrias Químicas Falcon de México, S. A. de C. V.

Statements of financial position

December 31, 2016 and 2015

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

Assets		**2016**	**2015**
Current assets:			
Cash and cash equivalents	$	4,687	60,320
Accounts receivable (includes a reserve for doubtful accounts of $47 and $42, for 2016 and 2015, respectively)		101,410	164,349
Related parties (note 6)		211,623	106,305
Other receivables (note 7)		58,647	30,439
Inventories, net (note 8)		298,001	236,246
Prepayments (note 9)		24,636	29,426
Total current assets		699,004	627,085
Property, plant, and equipment, net (note 10)		276,578	284,388
Deferred income taxes and employee statutory profit sharing (note 13)		75,068	75,556
	$	1,050,650	987,029

Liabilities and stockholders' equity		**2016**	**2015**
Current liabilities:			
Trade accounts payable	$	129,936	114,570
Cumulative liabilities		7,748	8,748
Accruals (note 11)		1,628	8,541
Income taxes payable		-	16,104
Employee statutory profit sharing		10,011	11,990
Related parties (note 6)		665,783	676,719
Total current liabilities		815,106	836,672
Employee benefits (note 12)		52,222	46,431
Total liabilities		867,328	883,103
Stockholders' equity (note 14):			
Capital stock		150,299	150,299
Retained earnings (deficit)		37,230	(46,373)
Other comprehensive income (note 14(b))		(4,207)	-
Total stockholders' equity		183,322	103,926
Contingent liabilities (note 16)			
Subsequent events (note 17)			
	$	1,050,650	987,029

See accompanying notes to financial statements.

Industrias Químicas Falcon de México, S. A. de C. V.

Statements of income

Years ended December 31, 2016 and 2015

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

		2016	2015
Net sales (notes 6 and 15)	$	1,044,007	1,126,985
Other income (note 15)		3,147	5,765
Net income		1,047,154	1,132,750
Cost of sales (notes 6 and 15)		816,856	891,159
Gross profit		230,298	241,591
General expenses (note 15)		118,779	166,666
Employee statutory profit sharing (note 13)		(26)	(1,525)
Operating income		111,545	76,450
Financial results:			
Interest expense, net (note 6)		(41,805)	(42,060)
Foreign exchange gain, net		43,946	43,923
Financial results, net		2,141	1,863
Income before income taxes		113,686	78,313
Income taxes (note 13):			
Current		29,569	26,835
Deferred		514	3,326
Total income taxes		30,083	30,161
Net profit		83,603	48,152
Other comprehensive income (note 14(b)):			
Actuarial loss from employee benefits		(4,207)	-
Comprehensive income	$	79,396	48,152

See accompanying notes to financial statements.

Industrias Químicas Falcon de México, S. A. de C. V.

Statements of changes in stockholders' equity

Years ended December 31, 2016 and 2015

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

		Capital stock	Retained earnings (deficit)	Other comprehensive income	Total stockholders' equity
Balances as of December 31, 2014	$	150,299	(94,525)	-	55,774
Net income		-	48,152	-	48,152
Balances as of December 31, 2015		150,299	(46,373)	-	103,926
Net income (note 14(b))		-	83,603	(4,207)	79,396
Balances as of December 31, 2016	$	150,299	37,230	(4,207)	183,322

See accompanying notes to financial statements.

Industrias Químicas Falcon de México, S. A. de C. V.

Statements of cash flows

Years ended December 31, 2016 and 2015

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers

		2016	2015
Cash flows from operating activities:			
Income before income taxes	$	113,686	78,313
Items relating to investing activities:			
Depreciation		28,411	26,048
Gain on sale of property, plant and equipment		(68)	(111)
Interest income		(436)	(66)
Items relating to financing activities-			
Interest expense		42,241	42,126
Subtotal		183,834	146,310
Accounts receivable		62,939	(49,122)
Accounts receivable from related parties		(105,318)	161,987
Other receivables		(28,208)	48,947
Inventories		(61,755)	40,532
Prepayments		4,790	(14,254)
Trade accounts payable, cummulative liabilities and accurals		7,453	(35,741)
Income taxes paid		(45,699)	(357)
ESPS		(1,979)	6,809
Accounts payable to related parties		(10,936)	(248,268)
Net periodic cost from termination and retirement benefits		10,177	7,827
Payments for termination and retirement benefits		(8,593)	(1,125)
Net cash provided by operating activities		6,705	63,545
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(22,174)	(7,221)
Proceeds from sale of property, plant and equipment		1,641	643
Interest received		436	66
Net cash used in investing activities		(20,097)	(6,512)
(Cash to be obtained from financing activities) cash surplus to be applied in financing activities		(13,392)	57,033
Cash flows from financing activities - Interest paid		(42,241)	(57,025)
Net (decrease) increase in cash and cash equivalents		(55,633)	8
Cash and cash equivalents:			
At beginning of year		60,320	60,312
At end of year	$	4,687	60,320

See accompanying notes to financial statements.

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

For the years ended December 31, 2016 and 2015

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

(1) Description of business-

Industrias Químicas Falcon de México, S. A. de C. V. (the Company) is a company incorporated under the laws of Mexico. The address of the Company's is Carretera Federal Cuernavaca-Cuautla Km. 4.5, Zona Industrial Civac, C.P. 62578, Jiutepec, Morelos, México. The Company is a subsidiary of Dr. Reddy's Laboratories Limited, located in India, with which it carries out certain transactions described in note 6.

The Company principally is involved in the production, distribution, and sale of all kind of products related to the chemical and pharmaceutical industry.

(2) Financial statement authorization and presentation-

Authorization

On March 20, 2017, Kumar Govind (Finance Director), authorized the issuance of the accompanying financial statements and related notes thereto.

In accordance with the General Corporations Law and the bylaws of Industrias Químicas Falcon de México, S. A. de C. V., the stockholders are empowered to modify the financial statements after issuance. The accompanying financial statements will be submitted to the next Stockholders' Meeting for approval.

Basis of preparation

a) Statement of compliance

The accompanying financial statements have been prepared in accordance with Mexican Financial Reporting Standards (FRS).

(Continued)

a) Use of estimates and judgments

The preparation of financial statements requires Management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment; valuation allowances for inventories, and deferred income tax assets; and assets and liabilities related to employee benefits. Actual results could differ from those estimates and assumptions.

b) Functional and reporting currency

The aforementioned financial statements are presented in Mexican pesos (reporting currency), which is the same as the local currency and the functional currency.

For purposes of disclosure, "pesos" or "$" means thousands of Mexican pesos, and "dollars" or "US$" means U.S. dollars.

c) Statement of comprehensive income presentation

The Company opted for reporting comprehensive income in a single statement that includes all the items that comprise net income or loss, and other comprehensive income (OCI), entitled "Statement of Comprehensive Income"

Given that the Company is an industrial, ordinary costs and expenses are presented based on their function, to arrive at the gross profit margin.

(3) Summary of significant accounting policies-

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

(a) ***Recognition of the effects of inflation-***

The accompanying financial statements have been prepared in accordance with Mexican FRS, and include the recognition of the effects of inflation on the financial information through December 31, 2007, based on the Mexican National Consumer Price Index (NCPI). Annual and cumulative inflation percentage of the last three years and the indices used to determine inflation, are as follows:

		Inflation	
December 31,	**NCPI**	**Yearly**	**Cumulative**
2016	122.515	3.36%	9.87%
2015	118.532	2.13%	10.52%
2014	116.059	4.08%	12.07%

(b) ***Cash and cash equivalents-***

Cash and cash equivalents consist of checking accounts, foreign currency and other highly liquid instruments. At the date of the financial statements, interest income and foreign exchange gains and losses are included in the statement of comprehensive income.

(c) ***Accounts receivable-***

Accounts receivable are reported at realizable value, net of the allowance for doubtful accounts.

(d) ***Inventories and cost of sales-***

Inventories are measured at the lower of cost and net realizable value. The cost is determined using acquisition cost method.

Unit cost is determined using the formula average costs.

Cost of sales represents the cost of inventories at the time of sale, increased, as applicable, for reductions in the net realizable value of inventories during the year.

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

The Company records the necessary allowances for inventory impairment arising from damaged, obsolete or slow-moving inventories or any other reason indicating that the carrying amount will exceed the future revenues expected from use or realization of the inventory items.

(e) ***Prepayments-***

Mainly include prepayments for the purchase of inventories, maintenance of machinery and software, and services that are received after the date of the statement of financial position and in the ordinary course of operations.

(f) ***Property, plant and equipment-***

Property, plant and equipment are recorded at acquisition cost and through December 31, 2007, were adjusted for inflation by applying NCPI factors.

Depreciation on property, plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets as determined by the Company's Management. The annual depreciation rates of the principal asset classes are as follows:

	Rates
Buildings	2.50% to 10.00%
Machinery and laboratory equipment	6.67% to 10.00%
Office furniture and equipment	10.00%
Transport equipment	12.50% to 20.00%
Computer equipment	16.67% to 33.33%

Minor repairs and maintenance costs are expensed as incurred.

(g) ***Impairment of property, plant and equipment-***

The Company evaluates the net carrying amount of property, plant and equipment, to determine whether there is an indication that the carrying amount exceeds the recoverable amount. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net revenues reasonably expected to be generated by the asset. If the net carrying amount of the asset exceeds the recoverable amount, the Company records the necessary provisions.

(Continued)

(h) Accruals-

Based on Management's estimates, the Company recognizes accruals for present obligations where the transfer of assets or the rendering of services is virtually inevitable and arises as a consequence of past events, principally salaries and other amounts payable to employees.

(i) Employee benefits-

Short-term direct benefits

Short-term direct employee benefits are recognized in income of the period in which the services rendered are accrued. A liability is recognized for the amount expected to be paid if the Company has a legal or assumed obligation to pay this amount as a result of past services provided and the obligation can be reasonably estimated.

Long-term direct benefits

The Company's net obligation in relation to direct long-term benefits (except for deferred ESPS - see subsection (j) Income taxes and employee statutory profit sharing), and which the Company is expected to pay at least twelve months after the date of the most recent balance sheet presented, is the amount of future benefits that employees have obtained in exchange for their service in the current and previous periods. This benefit is discounted to its present value. Remeasurements are recognized in income in the period in which they are accrued.

Termination benefits

A liability is recognized for termination benefits along with a cost or expense when the Company has no realistic alternative other than to make the corresponding payments or when the offer of these benefits cannot be withdrawn or when the conditions that require the recognition of restructuring costs are met, whichever occurs first. If benefits are not expected to be settled wholly within twelve months after the date of the most recent balance sheet presented, then they are discounted.

(Continued)

Post-Employment Benefits

Defined benefit plans

The Company's net obligation in relation to defined benefit plans for pension, seniority premium and indemnity is calculated separately for each plan, estimating the amount of future benefits that employees have earned in the current and prior periods, and discounting this amount to its present value and deducting therefrom, the fair value of plan assets.

The obligations for defined benefit plans are calculated annually by actuaries using the projected unit credit method. When the calculation results in a possible asset for the Company, the recognized asset is limited to the present value of the economic benefits available in the form of future refunds of the plan or reductions in future contributions thereto. To calculate the present value of economic benefits, any minimum financing requirement should be considered.

The labor cost of current service, which represents the periodic cost of employee benefits for having completed one more year of working life based on the benefit plans, is recognized in operating costs and expenses. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of estimates of contributions and benefit payments. Net interest is recognized under "Comprehensive financing expense, net".

Modifications to the plans that affect past service cost are recognized in income immediately in the year the modification occurs, with no possibility of deferral in subsequent years. Furthermore, the effects of events of liquidation or reduction of obligations in the period that significantly reduce future service cost and/or significantly reduce the population elegible for benefits, are recognized in income of the period.

Remeasurements (before actuarial gains and losses), resulting from differences between the projected and actual actuarial assumptions at the end of the period, are recognized when incurred as part of OCI within stockholder's equity in income of the period.

(Continued)

(j) Income Tax (IT) and Employee Statutory Profit Sharing (ESPS)-

IT and ESPS payable for the year are determined in conformity with the tax regulations in effect.

Deferred IT and ESPS are accounted for under the asset and liability method. Deferred taxes and ESPS assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and in the case of IT, for operating loss carryforwards and other recoverable tax credits. Deferred tax and ESPS assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax and ESPS assets and liabilities of a change in tax rates is recognized on the statement of comprehensive income in the period that includes the enactment date.

Current and deferred income taxes and ESPS are presented and classified in the results of operations of the period.

(k) Revenue recognition-

The Company recognizes revenue from sale of products when the products are delivered and the customer takes ownership and assumes risk of loss.

(l) Business and credit concentration-

Sales made to related parties represented 39% in 2016 and 69% in 2015 of the Company's net sales.

(m) Comprehensive financial results (CFR)-

The CFR includes interest and foreign exchange.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of execution or settlement. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in force at the statement of financial position date. Exchange differences arising from assets and liabilities denominated in foreign currencies are reported on the statement of comprehensive income.

(Continued)

(Thousands of Mexican pesos)

(n) Contingencies-

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, disclosure is provided in the notes to the financial statements. Contingent revenues, earnings or assets are not recognized until realization is assured.

(4) 2016 FRS Improvements-

In December 2015, CINIF issued the document referred to as "2016 FRS Improvements", which contains precise modifications to some current FRS. The modification that bring about accounting changes is listed below:

- **FRS C-1 "Cash and cash equivalents" and FRS B -2 "Statement of cash flows"-** The definitions of cash and cash equivalents are modified to converge with the definitions established in International Financial Reporting Standards (IFRS) and the term "investments available on demand" is changed for "highly-liquid financial instruments". Additionally, it is established that the initial and subsequent recognition of cash should be recorded at fair value, which is its nominal value, and that cash equivalents should be recorded at their fair value upon initial recognition. Highly-liquid financial instruments should be valued based on the financial instruments standard, according to the intended use of each type of instrument.

Adoption of this modification did not have any effect in the financial statements as of December 31, 2016.

(5) Foreign currency exposure and translation-

Monetary assets and liabilities denominated in dollars translated into the reporting currency, as of December 31, 2016 and 2015, were as follows:

	Mexican pesos	
	2016	**2015**
Current assets	$ 322,529	275,912
Current liabilities	(62,028)	(42,306)
Net assets	$ 260,501	233,606

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

As of December 31, 2016 and 2015, foreign exchange gains amounted to $43,946 and $43,923, respectively, were recorded.

The exchange rates used in the various translation processes to the reporting currency at December 31, 2016 and 2015 were as follows:

Country of origin	Currency	Exchange rate 2016	Exchange rate 2015
United States of America	US dollar	$ 20.66	17.24

(6) Related-party transactions and balances-

Transactions carried out with related parties during the years ended December 31, 2016 and 2015, were as follows:

		2016	2015
Sales:			
Dr. Reddy's Laboratories, Inc.	$	289,372	172,829
Dr. Reddy's Laboratories, S. A.		66,180	238,436
Dr. Reddy's Laboratories Ltd.		20,005	10,778
Dr. Reddy's Laboratories, UK L		6,543	5,880
Dr. Reddy's Laboratories, EU Ltd.		1,356	2,767
	$	383,456	430,690
Inventory purchases from:			
Dr. Reddy's Laboratories Ltd.	$	358,427	379,713
Interest expense to:			
Dr. Reddy's Laboratories Ltd.	$	42,241	42,126

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

As of December 31, 2016 and 2015, foreign exchange gains amounted to $43,946 and $43,923, respectively, were recorded.

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	$	383,456	430,690
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Dr. Reddy's Laboratories Ltd.	$	358,427	379,713
Interest expense to:			
Dr. Reddy's Laboratories Ltd.	$	42,241	42,126

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

Balances receivable from and payable to related parties are as follows:

		2016	2015
Receivables:			
Dr. Reddy's Laboratories Inc. (1)	$	196,510	31,497
Dr. Reddy's Laboratories, S. A. (1)		15,113	71,338
Dr. Reddy's Laboratories (UK) (1)		-	2,706
Dr. Reddy's Laboratories (EU) (1)		-	764
	$	211,623	106,305

(1) Related to receivables derived from the normal course of business.

		2016	2015
Payables:			
Dr. Reddy's Laboratories Ltd. (1)	$	665,783	676,719

(1) Mainly related to debt in favour of the holding Company, includes loans that amount to $474,322 in 2016 and 2015, bearing interest of 9% annually, which are denominated in pesos, and with no specific validity.

The remaining balances with related parties correspond to balances related to the normal course of business.

(7) Other receivables-

Other receivables consist of the following:

		2016	2015
Recoverable value-added tax	$	38,316	29,882
Sundry debtors		17,000	557
Recoverable IT		3,331	-
	$	58,647	30,439

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

(8) Inventories-

Inventories are comprised as follows:

		2016	2015
Finished goods	$	129,420	120,915
Work in process		97,381	62,036
Raw materials		108,671	92,777
Spare parts		36,486	34,610
Goods in-transit		2,166	11,552
		374,124	321,890
Less allowance for obsolete items		76,123	85,644
	$	298,001	236,246

(9) Prepayments-

Prepayments are comprised as follows:

		2016	2015
Inventories	$	20,955	21,999
Maintenance		1,683	-
Insurance		1,377	3,983
Tax on land		621	626
Software		-	2,818
Total prepayments	$	24,636	29,426

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

(10) Property, plant and equipment-

Property, plant and equipment comprise the following:

		2016	2015
Investment:			
Buildings	$	46,128	46,128
Machinery and laboratory equipment		340,628	338,636
Office furniture and fixtures		13,590	13,575
Computer equipment		7,860	7,250
Transport equipment		7,048	7,836
		415,254	413,425
Less accumulated depreciation		250,728	226,648
		164,526	186,777
Land		92,356	92,356
Construction in progress (1)		19,696	5,255
	$	276,578	284,388

(1) The constructions in progress include mainly the following projects:

- In 2016, the projects relates to the upgrade project of bay for trenbolone for $6,285, is estimated to be completed in June 2017, investment of Abiraterone 86 Kg-180 kg is estimated to be completed in May 2017, also by Equipment for Laboratory 2 for $2,222 is estimated to be completed in April 2017.

(Continued)

- In 2015, the project relates to installation of laboratory equipment that amounts to $1,148, this project is expected to be finalized during the month of june 2016. Also the heat interchangers in the production department for $831, which is also expected to be finalized during june 2016.

(11) Accruals-

Accruals as of December 31. 2016 and 2015 amount to $1,628 and $8,541, respectively. which mainly include bonus and holiday bonus.

(12) Employee benefits-

The Company has a defined benefit plan covering substantially all of its employees. Benefits are based on years of service and the employee's compensation. The Company's policy to finance the pension plan is equal to the maximum amount that can be deducted for income tax purposes based on the projected unit credit method.

Accounting changes resulting from the initial application of FRS D-3 "Employee benefits were not recognized retrospectively, affecting the financial statements as of December 31, 2015, the changes were immaterial.

Cash flows-

The contributions and benefits paid were $8,593 and $1,125, 2016 and 2015, respectively.

The cost, obligations and other elements of the pension plan, seniority premium and severance compensation plans for reasons other than restructuring, mentioned in note 3(i), have been determined based on computations prepared by independent actuaries at December 31, 2016 and 2015. The components of the net periodic cost for the year ended December 31, 2016 are as shown in the following page.

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

		Pension plan	Seniority premium	Legal compensation
Current Service Cost (CLSA)	$	3,292	242	500
Cost from early settlement prior to early extinction		465	-	-
Net interest on DBNL		4,026	143	247
Reclassification of remeasurements of DBNL recognized in OCI		1,140	122	-
Defined Benefit Cost	$	8,923	507	747
Beginning balance of DBNL	$	42,113	587	3,731
Balance OCI at 01/01/2016		9,837	1,270	-
Reclassification of Remeasurements Defined Benefit Cost		3,757	242	500
Payments charged to DBNL		(8,229)	(364)	-
Actuarial gain in OCI		(4,384)	(302)	(952)
Net interest on DBNL		4,026	143	247
Ending balance of DBNL	$	47,120	1,576	3,526

(*) **Defined Benefit Net Liabilities (DBNL).**

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

The financing position of the Defined Benefit Obligation as of December 31, 2016 is listed below:

		Pension plan	Seniority premium	Legal compensation
Defined benefit obligations (DBO)	$	61,087	4,435	3,526
Plan assets		(13,967)	(2,859)	-
Financial Position of the Obligation	$	47,120	1,576	3,526

The components of defined benefit cost for the years ended December 31, 2015 is shown below:

		Benefits	
		Termination	Retirement
Net periodic cost:			
Service cost	$	756	3,595
Financial cost		365	4,533
Return on plan assets		(147)	(1,026)
Net actuarial gain		(749)	-
Prior service cost:			
Amortization of prior service cost and plan modifications		500	-
Effect from early settlement prior to early extinction		-	-
Net period cost	$	725	7,102

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

The present value of benefit obligations of the plans at December 31, 2015, is as follows:

		Benefits	
		Termination	**Retirement**
Accumulated benefit obligation (ABO)	$	4,674	35,239
Projected benefit obligation (PBO)	$	4,774	68,182
Plan assets at fair value		(2,058)	(13,360)
Projected benefit obligation over plan assets		2,716	54,822
Unrecognized items:			
Actuarial loss		-	(11,107)
Projected liability, net	$	2,716	43,715

	2016	**2015**
Discount rate (net of inflation)	8.75%	7.75%
Rate of compensation increase	4.50%	4.50%
Expected return on plan assets	8.75%	7.75%
Average remaining employee labor life	14.11 years	10.45 years

The assets of the plan are affected by a trust and are administered by a committee designated by the Company.

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

(13) Tax on earnings (Income Tax (IT) and employee statutory profit sharing (ESPS))-

IT Law effective as of January 1, 2014 imposes an IT rate of 30% for 2014 and thereafter.

a) Tax on earnings

The income tax expense is as follows:

		2016	2015
In income:			
Current IT	$	29,569	26,835
Deferred IT		514	3,326
	$	30,083	30,161

Income tax expense attributable to income from continuing operations before income taxes, differed from the amounts computed by applying the Mexican statutory rates of 30% IT to income before income taxes and ORI, as a result of the items shown below:

		2016	2015
Computed "expected" tax expense	$	34,106	23,494
Increase (reduction) resulting from:			
Effects of inflation, net		2,114	3,829
Non-deductible expenses		3,546	2,495
D-3 differences		(5,850)	-
Other, net		(3,833)	343
IT expense	$	30,083	30,161

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities, at December 31, 2016 and 2015, are presented below:

		2016	2015
Deferred tax assets:			
Allowance for obsolete items	$	19,526	21,689
Accruals and accounts payable (1)		1,447	3,477
ESPS		3,003	3,597
Employee benefits		15,667	13,929
Property, plant and equipment		22,392	20,633
Net deferred tax assets		62,035	63,325
Deferred tax liabilities:			
Prepaid expenses		599	1,383
Deferred ESPS		5,842	5,834
Total gross deferred tax liabilities		6,441	7,217
Net deferred tax asset	$	55,594	56,108

(1) The providers include mainly liabilities simplified people that not having made the payment the liability regime is not deductible in the year, but so far they are paid.

In assessing the realizability of deferred tax assets, Management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

b) Deferred ESPS

The ESPS effects of temporary differences that give rise to significant portions of the deferred ESPS assets and liabilities, at December 31, 2016 and 2015, are presented below:

		2016	2015
Deferred ESPS assets:			
Allowance for obsolete items	$	6,509	7,230
Accruals and accounts payable		480	1,159
Employee benefits		5,222	4,643
Property, plant and equipment		7,463	6,877
Total gross deforred ESPS assets		19,674	19,909
Deferred tax liabilities - Prepaid expenses:		200	461
Net deferred ESPS asset	$	19,474	19,448

(14) Stockholders' equity-

The principal characteristics of Stockholders' equtiy are described below:

(a) Structure of capital stock-

As of December 31, 2016 is represented by 140,526,270 common, registered shares without expression of nominal value; 50,000 from the "A" series, which corresponds to the fixed part, and 140,476,270 from the "B" series, which corresponds to the variable part, which is unlimited.

(b) Other Comprehensive income (OCI)-

At December 31, 2016 is comprised as follows:

		2016
Employee benefits	$	(4,207)
Deferred tax		1,683
Total	$	(2,524)

At December 31 2016, the Company did not recognized the deferred tax effects.

(Continued)

(Thousands of Mexican pesos)

At December 31 2016, the Company did not recognize the deferred tax effects.

(c) ***Restrictions on stockholders' equity-***

Stockholder contributions restated as provided for by the tax law, may be refunded to stockholders tax-free, to the extent that such contributions equal or exceed stockholders' equity.

No dividends may be paid while the Company has a deficit.

(15) Revenue, cost and expenses-

Revenues are as follows:

		2016	2015
Third parties	$	639,733	668,610
Related parties		384,127	429,355
Distribution		20,147	27,685
Services		-	1,335
Subtotal		1,044,007	1,126,985
Raw material		2,441	4,406
Tax update		-	1,095
Other		706	264
		3,147	5,765
Total	$	1,047,154	1,132,750

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

. (Thousands of Mexican pesos)

The main items comprising cost and general expenses at December 31, 2016 and 2015, are shown below:

		Cost		General expenses	
		2016	**2015**	**2016**	**2015**
Cost of materials sold	$	615,867	671,872	-	-
Other		37,086	64,970	40,412	61,717
Fuels and energy		48,322	46,257	4,390	3,317
Salaries and related cost		57,203	41,757	29,763	56,800
External services		24,134	28,887	2,910	3,582
Maintenance		15,984	21,335	14,195	11,760
Depreciation and amortization		15,725	14,875	12,687	12,150
Insurance and sureties		2,535	1,206	4,411	5,350
ESPS		-	-	10,011	11,990
Total	$	816,856	891,159	118,779	166,666

(16) Contingent liabilities-

(a) There is a contingent liability arising from the labor obligations mentioned in note 3(i).

(b) The Company is involved in a number of lawsuits and claims arising in the normal course of business. It is expected that the final outcome of these matters will not have significant adverse effects on the Company's financial position and result.

(c) In accordance with Mexican tax law, the tax authorities are empowered to examine transactions carried out during the five years prior to the most recent income tax return filed.

(d) The Company is involved in three claims of nullity for the concept of audit of fiscal years of operations between related parties of the Income Tax Law (LISR) for the years 2006, 2007 and 2008 with an amount plus a distribution Additional income to workers of $86.627, $52,355 and $59,367, respectively, resulting from resolutions of the tax credit and resolution to the revocation appeal. The Company and its legal advisors consider that they have the possibility of obtaining favorable resolutions in all cases.

(Continued)

(e) In accordance with the IT Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, which should be similar to those that would be used in arm's-length transactions.

Should the tax authorities examine the transactions and reject the related-party prices, they could assess additional taxes plus the related inflation adjustment and interest, in addition to penalties of up to 100% of the omitted taxes.

(17) Subsequent events-

For the audit of the fiscal year of transactions between related parties of the Income Tax Law (LISR) for 2007, on March 24, a claim for nullity was filed before the Tribunal Federal de Justicia Administrativa (TFJA), Challenging both the decision determining the tax credit and othe resolution to the revocation appeal issued in February 2017 by the Servicio de Administración Tributaria (SAT).

The tax credits of the years 2006 and 2008 were notified on March 7 and March 3, respectively, by the SAT the resolution to the recourse filed against the tax credits mentioned.

In this sense, the company will challenge both resolutions (tax credit and resolution to the revocation appeal) by means of a claim for nullity before the TFJA, which will be presented for tax credits 2006 and 2008, the next April 24 and April 20, respectively

(18) Recently issued financial reporting standards-

The Consejo Mexicano de Normas de Información Financiera, A. C. (CINIF) has issued the FRS and Improvements listed below:

FRS C-3 ***"Accounts receivable"***- FRS C-3 is effective for years beginning on or after January 1, 2018, with retrospective effects, except for the valuation effects that may be prospectively recognized, if it is impractical to determine the effect on each one of the prior periods presented. Early adoption is allowed as of January 1, 2016 provided that it takes place concurrently with the adoption of FRS related to financial instruments whose effective date and possibility for early adoption are under the same terms as those indicated in this FRS. Some of the primary changes presented are the following page.

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

(e) In accordance with the IT Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, which should be similar to those that would be used in arm's-length transactions.

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The tax credits of the years 2006 and 2008 were notified on March 7 and March 3, respectively, by the SAT the resolution to the recourse filed against the tax credits mentioned.

In this sense, the company will challenge both resolutions (tax credit and resolution to the revocation appeal) by means of a claim for nullity before the TFJA, which will be presented for tax credits 2006 and 2008, the next April 25 and April 21, respectively

(18) Recently issued financial reporting standards-

The Consejo Mexicano de Normas de Información Financiera, A. C. (CINIF) has issued the FRS and Improvements listed below:

FRS C-3 ***"Accounts receivable"-*** FRS C-3 is effective for years beginning on or after January 1, 2018, with retrospective effects, except for the valuation effects that may be prospectively recognized, if it is impractical to determine the effect on each one of the prior periods presented. Early adoption is allowed as of January 1, 2016 provided that it takes place concurrently with the adoption of FRS related to financial instruments whose effective date and possibility for early adoption are under the same terms as those indicated in this FRS. Some of the primary changes presented are the following page.

(Continued)

- FRS C-3 provides that accounts receivable based on a contract are deemed financial instruments, while some other accounts receivable, resulting of legal or tax provisions, may have certain characteristics of a financial instrument, such as bearing interest, but are not in themselves financial instruments.

- FRS C-3 provides that the allowance for doubtful trade receivables shall be recognized as revenue is earned, based on the expected credit losses, and the allowance shall be recorded as an expense, separately when significant, in the statement of comprehensive income.

- FRS C-3 provides that, upon initial recognition, the time value of money shall be considered. Therefore, should the effect of the present value of the account receivable be significant in light of the term, an adjustment must be made taking into consideration such present value.

- FRS C-3 requires a reconciliation between the beginning and ending balances of the allowance for doubtful accounts for each period presented.

2017 FRS Revisions

In October 2016, CINIF issued a document called "2017 FRS Revisions" containing precise modifications to some of the existing FRS. The main revisions that bring about accounting changes are the following:

FRS B-13 *"Subsequent events as of the date of the financial statements"* *FRS B-6 "Statement of financial position"*- These FRS modify the classification requirements of assets, liabilities and stockholders' equity, mainly to establish that it is appropiate to maintain the classification of an item as long term as of the date of the financial statements, in the case of a financial asset or financial liability that: a) was contracted on a long-term collection or payment basis; and b) even when the borrower is in default as of the date of the financial statements, during the subsequent period between the date of the financial statements and the date on which they are authorized to be issued to third parties if an agreement is reached to maintain collection or payment on a long-term basis. This revision will be effective for periods starting on or after January 1, 2017, allowing early adoption for periods starting on or after January 1, 2016. The resulting accounting changes should be recognized prospectively.

(Continued)

Industrias Químicas Falcon de México, S. A. de C. V.

Notes to financial statements

(Thousands of Mexican pesos)

FRS D-3 *"Employee benefits"*- FRS D-3 establishes that the interest rate to be used in determining the present value of liabilities for long-term labor obligations must be a market rate free of, or with very low credit risk, representing the value of money over time, such as, the *government bond market rate or the high quality corporate bond market rate in absolute terms in a deep market*, and that the chosen rate should be used consistently over time. Additionally, it allows the recognition of remeasurements in OCI, requiring them to be reclassified to net income or loss or else recorded directly in net income or loss as of the date of origin. These revisions will take effect for years beginning on or after January 1, 2017, although early adoption is allowed. Accounting changes arising from changes in the discount rate should be recognized prospectively and those arising from a change in the option to recognize remeasurements should be recognized retrospectively.

Management estimates that the effects of the new FRS and the FRS revisions will be immaterial.

蘇州信聯會計師事務所

SUZHOU XINLIAN CERTIFIED PUBLIC ACCOUNTANTS CO., LTD.

CPA

報告書

REPORT

蘇州信聯會計師事務所
SUZHOU XINLIAN CERTIFIED PUBLIC ACCOUNTANTS CO.,LTD.
地址：昆山开发区(长江中路177号 新都银座3号楼十九层01号
ADD: Room 01 F19, Block 3, New Capital Ginza, 177 Middle Changjiang Road, Kunshan Economic and Technical Development Zone
電話(TEL): 0512-57310554 傳真(FAX): 0512-57310640
郵編(POST): 215300

Auditors' Report

Su Xin Kuai Shen Zi (2017) No.018

To: all shareholders of KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.,

We have audited the accompanying financial statements of KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. ("KUNSHAN ROTAM"), including the balance sheet as of December 31, 2016, and the income statement, statement of changes in the owner's equity and cash flow statement for the year then ended, and the notes to the financial statements.

I. Management's Responsibility for the Financial Statements

The management of KunShan RotamReddy Pharmaceutical Co.Ltd is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the Accounting Standards for Business Enterprises to realize fair presentation; (2) designing, implementing, and maintaining necessary internal control to make the financial statements free from material misstatement, whether due to fraud or error.

II. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing for Chinese Certified Public Accountants, which require us to comply with the ethical requirements for Chinese certified public accountants and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

III. Opinion

In our opinion, the financial statements of KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. give a true and fair view of the financial position of the Company as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

Suzhou Xinlian Certified Public Accountants Co., Ltd.

Kunshan, China

Chinese Certified Public Accountant:

(Signature& Seal)

中国注册会计师 范志龙 320503030001

Chinese Certified Public Accountant:

(Signature& Seal)

中国注册会计师 刘俊锋 320503030012

March 10, 2017

Balance Sheet

Form AF-01

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

As at December 31, 2016

Unit: RMB Yuan

Item	Line No.	Closing balance	Opening balance	Item	Line No.	Closing balance	Opening balance
Current assets:	01			Current liabilities:	65		
Cash and cash equivalents	02	93,497,470.68	108,139,000.02	Short-term loans	66		
Settlement reserves	03			Borrowings from the central bank	67		
Lending to banks and other finanical institutions	04			Deposits absorbed and due to banks and other financial institutions	68		
Transactional financial assets	05			Borrowings from banks and other financial institutions	69		
Notes receivable	06	97,209,979.62	16,093,337.45	Transactional finanical liabilities	70		
Accounts receivable	07	92,224,800.41	63,087,513.07	Notes payable	71		
Advance payment	08	14,446,945.72	3,076,138.98	Accounts payable	72	57,184,209.09	50,960,810.07
Premium receivable	09			Advance receipt	73	16,050.00	
Reinsurance accounts receivable	10			Financial assets sold for repurchase	74		
Reinsurance contract reserves receivable	11			Fees and commissions payable	75		
Interest receivable	12			Payroll payable	76	25,824,658.07	21,496,454.63
Other receivables	13	8,050,588.53	8,491,920.20	Including: wages payable	77	25,824,658.07	21,496,454.63
Redemptory monetary capital for sale	14			Benefits payable	78		
Inventories	15	46,324,496.36	67,050,539.43	Including: staff and workers' bonus and welfare fund	79		
Including: raw materials	16	12,861,836.77	14,034,706.18	Taxes and dues payable	80	16,332,791.00	11,809,462.75
Stock goods	17	14,946,176.38	20,459,411.41	Including: taxes payable	81	16,080,928.02	11,605,864.35
Non-current assets due within one year	18			Interest payable	82		
Other current assets	19	54,751.17	78,966.22	Other payables	83	23,760,864.61	24,850,979.26
Total current assets	20	351,809,032.49	266,017,415.37	Dividend payable for reinsurance	84		
Non-current assets:	21			Insurance contract reserve fund	85		
Loans and advance issued	22			Securities underwriting brokerage deposits	86		
Financial assets available for sale	23			Customer brokerage deposits	87		
Held-to-maturity investments	24			Non-current liabilities due within one year	88		
Long-term receivables	25			Other current liabilities	89	3,409,994.95	1,728,332.00
Long-term equity investments	26			Total current liabilities	90	126,528,567.72	110,846,038.71
Investment real estates	27			Non-current liabilities:	91		
Fixed assets- cost	28	69,767,070.39	68,708,118.44	Long-term loans	92		
Less: accumulated depreciation	29	39,237,076.01	35,951,713.90	Bonds payable	93		
Net value of fixed assets	30	30,529,994.38	32,756,404.54	Long-term payables	94		
Less: provision for impairment of fixed assets	31	3,300,000.00		Special payable	95		
NBV of fixed assets	32	27,229,994.38	32,756,404.54	Accrued liabilities	96		
Construction in progress	33	1,009,657.00	1,009,657.00	Deferred tax liabilities	97		

Balance Sheet

Form AF-01

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

As at December 31, 2016

Unit: RMB Yuan

Item	Line No.	Closing balance	Opening balance	Item	Line No.	Closing balance	Opening balance
Project materials	34			Other non-current liabilities	98		
Liquidation of fixed assets	35			Including: special reserve fund	99		
Productive biological assets	36			Total non-current liabilities	100		
Oil and gas assets	37			Total liabilities	101	126,528,567.72	110,846,038.71
Intangible assets	38	4,324,395.77	4,653,401.69	Owner's equity (or shareholder's equity):	102		
Development expenditure	39			Paid-in cpaital (stock)	103	153,166,636.15	153,166,636.15
Goodwill	40			National capital	104	1,515,447.50	1,515,447.50
Long-term deferred expenses	41	48,580.68	512,966.16	Collective capital	105		
Deferred tax assets	42	1,298,283.67	458,906.94	Legal person's capital	106		
Other non-current assets	43			Including: state-owned legal person's capital	107		
Including: specially approved reserving materials	44			Collective legal person's capital	108		
Total non-current assets	45	33,910,911.50	39,391,336.33	Personal capital	109		
	46			Foreign capital	110	151,651,188.65	151,651,188.65
	47			Less: investment returned	111		
	48			Net paid-in capital (or stock)	112	153,166,636.15	153,166,636.15
	49			Capital reserve	113	-1,971,221.64	-1,971,221.64
	50			Less: treasury stock	114		
	51			Special reserve	115		
	52			Surplus reserve	116		
	53			Including: statutory surplus reserve	117		
	54			Discretionary surplus reserve	118		
	55			Reserve fund	119		
	56			Enterprise development fund	120		
	57			Profit capitalized on return of investments	121		
	58			Gneral risk provision	122		
	59			Retained earnings	123	107,995,961.76	43,367,298.48
	60			Translation reserve	124		
	61			Total owner's equity attributable to owners of parent company	125	259,191,376.27	194,562,712.99
	62			Minority interest	126		
	63			Total owner's equity	127	259,191,376.27	194,562,712.99
Total assets	**64**	**385,719,943.99**	**305,408,751.70**	**Total liabilities and owner's equity**	**128**	**385,719,943.99**	**305,408,751.70**

Income Statement

Form AF-02

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

For the Year 2016

Unit: RMB Yuan

Item	Line No.	Current period	Prior period	Item	Line No.	Current period	Prior period
I Total operating income	01	474,522,494.89	389,287,098.47	Add: Income from changes in fair value (losses expressed with "-")	30		
Including: operating income	02	474,522,494.89	389,287,098.47	Investment income (losses expressed with "-")	31		
Including: income from main business	03			Including: income from associates	32		
Income from other businesses	04			Exchange gains (losses expressed with "-")	33		
Interest income	05			III Operating profit (losses expressed with "-")	34	90,454,613.50	64,629,986.37
Earned premium	06			Add: non-operating income	35	192,392.74	205,954.87
Fee and commission income	07			Including: income from disposal of non-current assets	36	6,923.07	6,493.13
II Total operating costs	08	384,067,881.39	324,657,112.10	Income from non-monetary assets swap	37		
Including: operating costs	09	118,925,336.40	97,475,945.73	Government subsidies	38	70,575.67	-123,900.00
Including: costs main business	10	118,925,336.40	97,475,945.73	Gains on debt restructuring	39		
Cost of other businesses	11			Less: non-operating expenses	40	491,246.10	4,294,759.48
Interest expenses	12			Including: losses on disposal of non-current assets	41	92,707.57	82,065.74
Fee and commission expenses	13			Losses on non-monetary assets swap	42		
Loan value	14			Losses on debt restructuring	43		
Net payment for insurance claims	15			IV Income before tax (losses expressed with "-")	44	90,155,760.14	60,541,181.76
Net amount of reserves for reinsurance contract	16			Less: income tax expenses	45	25,527,096.86	17,700,494.11
Expenditures dividend policy	17			V Net profit (net losses expressed with "-")	46	64,628,663.28	42,840,687.65
Reinsurance costs	18			Net profit attributable to owners' of parent company	47	64,628,663.28	42,840,687.65
Business tax and surcharges	19	7,961,075.89	5,387,892.12	Minority interest	48		
Selling expenses	20	226,594,251.98	200,399,094.86	VI EPS	49		
Overhead expenses	21	23,136,373.43	19,111,876.71	Basic EPS	50		
Including: business entertainment expenses	22			Diluted EPS	51		
R&D expenses	23	6,881,701.73	3,307,211.29	VII Other comprehensive income	52		
Financial expenses	24	4,050,061.04	2,121,105.26	VIII Total comprehensive income	53	64,628,663.28	42,840,687.65
Including: interest expenses	25			Total comprehensive income attributable to owners' of parent company	54	64,628,663.28	42,840,687.65
Interest income	26	1,321,894.37	987,468.18	Total comprehensive income attributable to minority shareholders	55		
Net exchange loss (net income expressed with "-")	27	3,035,890.63	1,837,322.56				
Assets impairment loss	28	3,400,782.65	161,197.42				
Others	29						

Cash Flow Statement

For the Year 2016

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

Form AF-03

Item	Line No.	Current period	Prior period	Item	Line No.	Current period	Prior period
1. CASH FLOWS FROM OPERATING ACTIVITIES	1			Sub-total of cash outflows	21	2,124,790.88	11,932,025.29
Cash received from sale of goods or rendering of services	2	442,738,688.67	375,313,683.76	Net cash flows from investing activities	22	-2,104,382.90	-11,927,882.12
Refund of taxes and dues	3			3. CASH FLOWS FROM FINANCING ACTIVITIES	23		
Other cash received relating to operating activities	4	3,396,603.29	571,575.59	Cash received from capital contribution	24		
Sub-total of cash inflows	5	446,135,291.96	375,885,259.35	Cash received from borrowings	25		
Cash paid for goods and services	6	103,339,127.73	99,285,384.06	Other cash received relating to financing activities	26		
Cash paid to and on behalf of employees	7	103,832,119.21	74,259,588.05	Sub-total of cash inflows	27		
Payment of taxes and dues	8	97,202,325.36	57,817,498.87	Cash repayment of amounts borrowed	28		
Other cash paid relating to operating activities	9	151,262,975.47	115,299,219.64	Cash payment for interest expenses and distribution of dividends or profit	29		
Sub-total of cash outflows	10	455,636,547.77	346,661,690.62	Other cash payment relating to financing activities	30		
Net cash flows from operating activities	11	-9,501,255.81	29,223,568.73	Sub-total of cash outflows	31		
2. CASH FLOWS FROM INVESTING ACTIVITIES	12			Net cash flows from financing activities	32		
Cash received from disposal of investments	13			4. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	33	-3,035,890.63	-175,972.32
Cash received from returns on investments	14			5. Net increase/ decrease in cash and cash equivalents	34	-14,641,529.34	17,119,714.29
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	15	20,407.98	4,143.17	Closing balance of cash	35	93,497,470.68	108,139,000.02
Other cash received relating to investing activities	16			Less: opening balance of cash	36	108,139,000.02	91,019,285.73
Sub-total of cash inflows	17	20,407.98	4,143.17	Add: closing balance of cash equivalents	37		
Cash paid to acquire fixed assets, intangible assets and other long-term assets	18	2,124,790.88	11,932,025.29	Less: opening balance of cash equivalents	38		
Cash paid to acquire investments	19			Net increase/ decrease in cash and cash equivalents	39	-14,641,529.34	17,119,714.29
Other cash payment relating to investing activities	20						

Statement of Changes in Owner's Equity

Form AF-04
Unit: RMB Yuan

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

Item	Line No.	Current year										
		Owner's equity attributable to owners of parent company									Minority interest	Total owner's equity
		Paid-in capital (or stock)	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total		
I Closing balance of prior year	01	153,166,636.15	-1,971,221.64					43,367,298.48		194,562,712.99		194,562,712.99
Add: changes in accounting policies	02											
Early error correction	03											
II Opening balance of current year	04	153,166,636.15	-1,971,221.64					43,367,298.48		194,562,712.99		194,562,712.99
III Changes in current year (decrease expressed with "-")	05							64,628,663.28		64,628,663.28		64,628,663.28
1. Net profit	06							64,628,663.28		64,628,663.28		64,628,663.28
2. Gains and losses recorded directly into the owner's equity	07											
2.1 Net change in fair value of financial assets available for sale	08											
2.2 Impact of changes in other owner's equity of investee under the equity method	09											
2.3 Impact of income tax related to owner's equity items	10											
2.4 Others	11											
Sub-total of net profit and the gains and losses recorded directly into th	12											
3. Capital contributed and reduced by owner	13											
3.1 Capital contributed by owner	14											
3.2 Amount of share-based payment recorded into the owner's equity	15											
3.3 Others	16											
4. Withdrawal and use of special reserve	17											
4.1 Special reserve drawn	18											
4.2 Special reserve used	19											
5. Profit distribution	20											
5.1 Surplus reserve drawn	21											
Including: statutory surplus reserve	22											
Discretionary surplus reserve	23											
Reserve fund	24											
Enterprise development fund	25											
Profit capitalized on return of investments	26											
5.2 General risk provision drawn	27											
5.3 Distribution to owners (or shareholders)	28											
5.4 Others	29											
6. Internal carry-forward of owenr's equity	30											
6.1 Capitalized capital reserve	31											
6.2 Capitalized surplus reserve	32											
6.3 Loss made up with surplus reserve	33											
6.4 Others	34											
IV Closing balance of current year	35	153,166,636.15	-1,971,221.64					107,995,961.76		259,191,376.27		259,191,376.27

Statement of Changes in Owner's Equity

Form AF-04
Unit: RMB Yuan

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO.,

Item	Line No.	Prior period										
		Owner's equity attributable to owners of parent company									Minority interest	Total owner's equity
		Paid-in capital (or stock)	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total		
I Closing balance of prior year	01	153,166,636.15	-1,971,221.64					526,610.83		151,722,025.34		151,722,025.34
Add: changes in accounting policies	02											
Early error correction	03											
II Opening balance of current year	04	153,166,636.15	-1,971,221.64					526,610.83		151,722,025.34		151,722,025.34
III Changes in current year (decrease expressed with "-")	05							42,840,687.65		42,840,687.65		42,840,687.65
1. Net profit	06							42,840,687.65		42,840,687.65		42,840,687.65
2. Gains and losses recorded directly into the owner's equity	07											
2.1 Net change in fair value of financial assets available for sale	08											
2.2 Impact of changes in other owner's equity of investee under the equity method	09											
2.3 Impact of income tax related to owner's equity items	10											
2.4 Others	11											
Sub-total of net profit and the gains and losses recorded directly into tl	12											
3. Capital contributed and reduced by owner	13											
3.1 Capital contributed by owner	14											
3.2 Amount of share-based payment recorded into the owner's equity	15											
3.3 Others	16											
4. Withdrawal and use of special reserve	17											
4.1 Special reserve drawn	18											
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5.1 Surplus reserve drawn	21											
Including: statutory surplus reserve	22											
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Reserve fund	24											
Enterprise development fund	25											
Profit capitalized on return of investments	26											
5.2 General risk provision drawn	27											
5.3 Distribution to owners (or shareholders)	28											
5.4 Others	29											
6. Internal carry-forward of owenr's equity	30											
6.1 Capitalized capital reserve	31											
6.2 Capitalized surplus reserve	32											
6.3 Loss made up with surplus reserve	33											
6.4 Others	34											
IV Closing balance of current year	35	153,166,636.15	-1,971,221.64					43,367,298.48		194,562,712.99		194,562,712.99

I. Company Profile

KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. was established upon approval of the People's Government of Jiangsu Province through the approval certificate (Wai Jing Mao Su Fu Zi (1993) No.17200). It obtained a Corporate Business License (Qi He Su Su Zong Zi No.004380) issued by Jiangsu Suzhou Administration for Industry& Commerce on December 31, 1993. It exchanged for an Approval Certificate (Shang Wai Zi Su Fu Zi Zi (1993) No.17200) on March 30, 2006, and received a Corporate Business License (Qi He Su Kun Zong Zi No.000188) exchanged by Jiangsu Suzhou Administration for Industry& Commerce on May 30, 2006. Later, it exchanged for a Corporate Business License (Registration No.320583400001855) issued by Jiangsu Suzhou Administration for Industry& Commerce in 2008. After three certificates and replacement for unified social credit code 91320583608278334C of the business license.The Company was founded with investments contributed by Dr.Reddy's Laboratories Limited (India), Canada Rotam enterprise (Canada) incorporated in British Virgin Islands, and Kunshan Double-Crane Pharmaceutical Co., Ltd. (China), with total investment of USD29.99 million and original registered capital of USD11.00 million. Later, according to the replies (Kun Jing Kai Zi (2004) No.203 and Kun Kai Zi (2006) No.151) of the management committee of Jiangsu Kunshan Economic & Technological Development Zone on February 20, 2004 and March 30, 2006 on the capital increase of KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. and the provisions of the revised articles of association, the registered capital was increased to USD18.33011 million. As of the deadline of the audit, the registered capital has been fully committed. Duration of operation: 50 years. Business scope: production and packaging of such products as active pharmaceutical ingredients, tablets, capsules, ointments, balm, etc.; and sale of self-produced products.

II. Principal Accounting Policies

1. Accounting system

The Company implements the *Accounting System for Business Enterprises*.

2. Fiscal year

A fiscal year of the Company is from January 1 to December 31 of the Gregorian calendar.

3. Accounting principle and valuation basis

Accounts are kept on the accrual basis and at the actual cost.

4. Functional currency for bookkeeping and foreign currency translation

RMB is taken as the functional currency for bookkeeping. A foreign currency business incurred will be recorded after being translated into RMB at the market exchange rate published by the People's Bank of China on the first day of that month. At the end of the period, an adjustment will be made to the foreign currency balance of the foreign currency account at the market exchange rate on that day, and the difference will be recorded into the income statement of the current period.

KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. Expressed in RMB unless otherwise stated

5. Accounting treatment of inventories

The raw materials and finished products will be recorded by the actual cost method when going into the warehouse, and be recorded at the weighted average unit price when being issued.

Bad debt provision

Accounts receivable withdrawal method: by the aging method, an account receivable will be fully drawn if it is overdue for 180 days, or no withdrawal will be made if it is no more than 180 days.

The bad debt provision of other receivables will be drawn at 4% of the closing balance.

6. Fixed assets and depreciation

A fixed asset will be recorded at the actual cost of acquisition, and be depreciated by the straight-line method, with the salvage value rate of 10%. See below for details about the depreciation of a variety of fixed assets:

Classification	Depreciation period (year)	Annual depreciation rate (%)
(1) Buildings and structures	20	4.5
(2) Machinery& equipment	10	9
(3) Transportation facilities	5	18
(4) Instrumentation equipment	5	18
(5) Electronic office equipment	5	18
(6) Other equipment	5	18

7. The intangible assets mainly consisted of the land use rights, which were to be amortized throughout the benefit period of 50 years.

8. The long-term deferred expenses mainly consisted of the other deferred expenses, which were to be amortized throughout the benefit period.

9. Form of wages

Wages of the Company were mainly in the form of take-home pay. The additional benefits of the wages were drawn based on no less than RMB1820.00/ person/ month.

The housing provident fund was paid as the specified rate.

10. Recognition of prime operating revenue

Sale of products

KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. Expressed in RMB unless otherwise stated

The revenue from sale of products will not be recognized until the main risks and rewards of the products have been transferred to the buyer, the Company retains neither the continuous management right, which usually connects with the ownership, nor control over the products sold, and the relevant costs incurred or to be incurred can be measured reliably.

11. Income tax

The income tax consists of the current income tax and deferred income tax.

The Company records the income tax by the balance sheet liability method, and confirms the impact of temporary difference on the income tax. The Company calculates the taxable temporary difference and deductive temporary difference according to the carrying amount and tax base of the assets and liabilities, and confirms the corresponding deferred tax assets and liabilities.

III. Tax Rates

VAT: tax rate: 17%

Educational surcharges: calculated and paid at 3% of the "three taxes"

Local educational surcharges: calculated and paid at 2% of the "three taxes"

Urban maintenance and construction tax: calculated and paid at 7% of the "three taxes"

Enterprise income tax: applicable tax rate: 25%

IV. Notes to Balance Sheet Items

1. Cash and cash equivalents:

Item	As of December 31, 2016	As of December 31, 2015
Cash	55,836.25	53,686.91
Bank deposits	93,441,634.43	108,085,313.11
Sub-total	93,497,470.68	108,139,000.02

Note: closing balance of bank deposits, including: RMB deposits: RMB90,500,757.54;

Foreign currency deposits: US$423,940.74, equivalent to RMB2,940,876.89.

2. Notes receivable:

Item	As of December 31, 2016	As of December 31, 2015
Bank's acceptance bills	97,209,979.62	16,093,337.45

3. Accounts receivable:

KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. Expressed in RMB unless otherwise stated

Item	As of December 31, 2016	As of December 31, 2015
Trade receivable	92,409,619.65	63,213,940.95
Less: bad debt provision	184,819.24	126,427.88
Sub-total	92,224,800.41	63,087,513.07
Aging structure	As of December 31, 2016	As of December 31, 2015
Less than 1 year	92,406,769.65	63,211,090.95
3 years above	2,850.00	2,850.00
Sub-total	92,409,619.65	63,213,940.95

4. Advance payments:

Item	As of December 31, 2016	As of December 31, 2015
Payment for equipment engineering	562,267.90	460,382.32
Materials	10,692,266.39	13,300.00
Expenses	3,192,411.43	2,602,456.66
Sub-total	14,446,945.72	3,076,138.98
Aging structure	As of December 31, 2016	As of December 31, 2015
Less than 1 year	13,570,171.77	2,590,970.23
1-2 years	721,865.87	328,677.25
2-3 years	2,704.06	5,287.50
3 years above	152,204.02	151,204.00
Sub-total	14,446,945.72	3,076,138.98

5. Other receivables:

Item	As of December 31, 2016	As of December 31, 2015
Internal current accounts	27,000.00	27,000.00
Imprest	1,952,092.67	1,929,502.45
Advance	5,999,608.31	6,390,514.63
Others	88,021.00	161,921.00
Sub-total	8,066,721.98	8,508,938.08
Less: bad debt provision	16,133.45	17,017.88
Other receivables	8,050,588.53	8,491,920.20
Aging structure	As of December 31, 2016	As of December 31, 2015
Less than 1 year	7,366,029.03	7,571,170.20
1-2 years	415,976.00	378,616.68

KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. Expressed in RMB unless otherwise stated

2-3 years	81,765.75	70,794.20
3 years above	202,951.20	488,357.00
Sub-total	8,066,721.98	8,508,938.08

6. Inventories:

Item	As of December 31, 2016	As of December 31, 2015
Raw materials	11,981,801.24	13,500,421.71
Wrappage	880,035.53	534,284.47
Work-in-process	2,093,843.71	3,426,936.39
Semi-finished products	16,422,639.50	29,129,485.45
Finished products	14,946,176.38	20,459,411.41
Sub-total	46,324,496.36	67,050,539.43

7. Fixed assets:

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
Original value:				
Buildings and structures	37,024,795.4	176,393.16	-	37,201,188.56
Machinery& equipment	14,806,582.87	904,239.01	731,797.44	14,979,024.44
Transportation facilities	1,600,533.73	441,633.61	-	2,042,167.34
Instrumentation equipment	10,317,819.51	507,376.49	211,312.24	10,613,883.76
Electronic office equipment	3,892,328.33	112,796.05	140,376.69	3,864,747.69
Other equipment	1,066,058.60	-	-	1,066,058.60
Sub-total	68,708,118.44	2,142,438.32	1,083,486.37	69,767,070.39
Accumulated depreciation:				
Buildings and structures	18,574,862.57	1,691,114.51	-	20,265,977.08
Machinery& equipment	6,782,676.18	930,198.84	631,425.37	7,081,449.65
Transportation facilities	987,957.81	158,904.59	-	1,146,862.40
Instrumentation equipment	6,631,432.71	956,244.07	190,181.02	7,397,495.76

KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. Expressed in RMB unless otherwise stated

Electronic office equipment	2,259,483.08	426,413.38	124,931.37	2,560,965.09
Other equipment	715,301.55	69,024.48	-	784,326.03
Sub-total	35,951,713.90	4,231,899.87	946,537.76	39,237,076.01
Provision for impairment of fixed assets	-	-	-	3,300,000.00
Buildings and structures	-	-	-	3,300,000.00
Net value	32,756,404.54	-	-	27,229,994.38

8. Construction in progress:

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
Test building and ancillary facilities	1,007,657.00	-	-	1,007,657.00
Sewage treatment project, etc.	2,000.00	-	-	2,000.00
Sub-total	1,009,657.00	-	-	1,009,657.00

9. Intangible assets :

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
Land use right	3,784,595.73	-	133,573.92	3,651,021.81
Technical service charges	385,000.00	-	105,000.00	280,000.00
software	483,805.96	-	90,432.00	393,373.96
Sub-total	4,653,401.69	-	329,005.92	4,324,395.77

10. Long-term deferred expenses:

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
The workshop roof renovation costs	54,750.00	18,250.00	73,000.00	-
Laboratory renovation costs	255,993.92	-	236,302.08	19,691.84
Central air conditioning repair costs	202,222.24	-	173,333.40	28,888.84
Sub-total	512,966.16	18,250.00	482,635.48	48,580.68

11. Deferred tax assets:

Item	Closing balance	Opening balance

	Deferred tax assets	Deductible temporary difference	Deferred tax assets	Deductible temporary difference
Provision for bad debt	50,238.17	200,952.69	35,861.44	143,445.76
Accrued expenses	423,045.50	1,692,182.00	423,045.50	1,692,182.00
Provision for impairment of fixed assets	825,000.00	3,300,000.00	-	-
Sub-total	1,298,283.67	5,193,134.69	458,906.94	1,835,627.76

12. Accounts payable:

Item	As of December 31, 2016	As of December 31, 2015
Trade payables	57,184,209.09	50,960,810.07
Aging structure	As of December 31, 2016	As of December 31, 2015
Less than 1 year	29,688,506.48	34,266,355.89
1-2 years	21,191,252.63	9,520,427.00
2-3 years	6,214,909.00	-
3 years above	89,540.98	7,174,027.18
Sub-total	57,184,209.09	50,960,810.07

13. Payroll payable:

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
Wages	21,496,454.63	88,395,448.40	84,067,244.96	25,824,658.07
Endowment insurance	-	7,462,509.88	7,462,509.88	-
Medical insurance	-	3,324,646.19	3,324,646.19	-
Unemployment insurance	-	394,428.54	394,428.54	-
Work-related injury insurance	-	242,376.62	242,376.62	-
Maternity insurance	-	261,516.76	261,516.76	-
Housing provident fund	-	3,586,741.10	3,586,741.10	-
Benefits	-	2,762,243.60	2,762,243.60	-

KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. Expressed in RMB unless otherwise stated

Trade union fund	-	294,000.00	294,000.00	-
Personal education	-	242,717.54	242,717.54	-
Compensation for loss of office	-	352,244.90	352,244.90	-
Sub-total	21,496,454.63	107,318,873.53	102,990,670.09	25,824,658.07

14. Taxes and dues payable:

Item	As of December 31, 2016	As of December 31, 2015
VAT payable	5,039,602.40	4,071,487.86
Enterprise income tax payable	9,682,509.37	6,457,570.38
Individual income tax payable	880,249.18	676,930.32
Real estate tax payable	85,116.95	74,712.51
Land use tax payable	31,813.28	31,813.29
Stamp tax payable	9,028.67	8,312.24
Urban maintenance and construction tax payable	352,608.17	285,037.75
Educational surcharges payable	151,117.79	122,159.03
Local educational surcharges payable	100,745.19	81,439.37
Sub-total	16,332,791.00	11,809,462.75

15. Other payables:

Item	As of December 31, 2016	As of December 31, 2015
Expenses	23,760,864.61	24,850,979.26
Aging structure	As of December 31, 2016	As of December 31, 2015
Less than 1 year	23,753,673.62	24,738,825.26
1-2 years	-	106,579.00
2-3 years	1,615.99	5,575.00
3 years above	5,575.00	-
Sub-total	23,760,864.61	24,850,979.26

16. Other current liabilities:

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance

Water and electricity charges	-	1,313,845.57	1,313,845.57	-
Royalties	1,692,182.00	-	-	1,692,182.00
Housing rents	36,150.00	-	36,150.00	-
Cash discount	-	2,300,509.70	2,300,509.70	-
Others	-	13,280,362.90	11,562,549.95	1,717,812.95
Sub-total	1,728,332.00	16,894,718.17	15,213,055.22	3,409,994.95

17. Paid-in capital:

Investor	Opening balance	Increase in current year	Decrease in current year	Closing balance
Kunshan Double-Crane Pharmaceutical	1,515,447.50	-	-	1,515,447.50
Co., Ltd.	(USD175,000.00	-	-	USD175,000.00)
Dr.Reddy's Laboratories	77,746,692.72	-	-	77,746,692.72
Limited (India)	(USD9,408,642.00	-	-	USD9,408,642.00)
Canada Rotam	73,904,495.93	-	-	73,904,495.93
enterprise	(USD8,746,468.00	-	-	USD8,746,468.00)
Sub-total	153,166,636.15	-	-	153,166,636.15
	(USD18,330,110.00	-	-	USD18,330,110.00)

Note: the Company's registered capital of USD18.33011 million has been fully committed, which has been verified by the Chinese certified public accountants, with the Reports (Kun Gong Xin Yan Zi (2001) No.381, Jin Kuai Su Yan Zi (2004) No.103, No.113, Jin Kuai Su Wai Yan Zi (2006) No.031 and No.115) issued.

18. Capital reserves:

Item	Opening balance	Increase in current year	Decrease in current year	Closing balance
Foreign currency capital exchange differences	-1,971,221.64	-	-	-1,971,221.64

19. Retained earnings:

Item	Opening balance	Increase in current year	Decrease in current year	Closing balance
Retained earnings	43,367,298.48	64,628,663.28	-	107,995,961.76

V. Notes to Income Statement Items

Item	For the year ended December 31, 2016	For the year ended December 31, 2015

KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. Expressed in RMB unless otherwise stated

Prime operating revenue	472,633,255.64	388,426,725.11
Other operating revenue	1,889,239.25	860,373.36
Prime operating costs	118,925,336.40	97,475,945.73
Business tax and surcharges	7,961,075.89	5,387,892.12
Operating expenses	226,594,251.98	200,399,094.86
Overhead expenses	23,136,373.43	19,111,876.71
Financial expenses	4,050,061.04	2,121,105.26
Asset impairment losses	3,400,782.65	161,197.42
Non-operating revenue	192,392.74	205,954.87
Non-operating expenses	491,246.10	4,294,759.48
Income tax	25,527,096.86	17,700,494.11
Net profit	64,628,663.28	42,840,687.65

VI. Related Party Relationship and Transactions

1. Related party relationship

Name of related enterprise	Place of incorporation	Relationship with the Company	Business nature or type
Dr.Reddy's Laboratories Limited (India)	India	Investor	Limited liability company
Canada Rotam enterprise incorporated in British Virgin Islands	British Virgin Islands	Investor	Limited liability company
Kunshan Double-Crane Pharmaceutical Co., Ltd. (China)	Kunshan	Investor	Limited liability company

2. Related party transactions

No related party transactions occurred during the year.

The following person in charge executes the financial statements:

Principal: Michael. zhang

Prepared by person in charge of financial affairs: Yang Sheping

KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

December 31, 2016

编号 320583000201608180409

营业执照

(副 本)

统一社会信用代码 91320583251263761J (1/1)

名称	苏州信联会计师事务所有限公司
类型	有限责任公司
住所	昆山开发区新都银座3号楼1901室
法定代表人	范志龙
注册资本	50万元整
成立日期	2000年01月13日
营业期限	2000年01月13日至******
经营范围	审计、查证、验资、资产评估；基建工程预决算编制、审核、咨询服务，会计电算化评审。（依法须经批准的项目，经相关部门批准后方可开展经营活动）

登记机关

请于每年1月1日至6月30日履行年报公示义务

2016年08月18日

企业信用信息公示系统网址：www.jsgsj.gov.cn:58888/province

中华人民共和国国家工商行政管理总局监制

LACOCK HOLDINGS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2017

LACOCK HOLDINGS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2017

CONTENTS

LACOCK HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors	George Flourentzou Karruppannan Ganesh Milorad Vujnovic Kallam Satish Reddy CCY Management Limited
Secretary	CCY Services Limited
Independent Auditors	KPMG Limited
Bankers	Bank of Cyprus Public Company Ltd Citibank
Registered Office	AlphaMega - Akropolis Building 3rd floor flat / office 401 P.C. 2024, Nicosia
Registration number	HE169442

KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box 21121, 1502 Nicosia, Cyprus
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Independent Auditors' Report

To the Members of Lacock Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lacock Holdings Limited (the "Company"), which are presented on pages 5 to 19 and comprise the statement of financial position as at 31 March 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants' (IESBA Code), and the ethical requirements in Cyprus that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts of Law 2009, L.42(I)/2009, as amended from time to time ("Law 42(I)/2009"), we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.

- In our opinion, proper books of account have been kept by the Company, so far as it appears from our examination of these books.

- The Company's financial statements are in agreement with the books of account.

- 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 Companies Law, Cap. 113, in the manner so required.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of Law 42(I)/2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Maria A. Karantoni, FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

14 Esperidon Street
1087 Nicosia
Cyprus

2 May 2017

LACOCK HOLDINGS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	31 March 2017 €	31 March 2016 €
Operating income	4	10.000	-
Operating profit		10.000	-
Administrative expenses	5	(18.607)	(18.569)
Other operating expenses	6	(450.000)	-
Operating loss		(458.607)	(18.569)
Finance income		1.502	6.885
Finance expenses		(1.098)	(919)
Net finance income	7	404	5.966
Loss before tax		(458.203)	(12.603)
Tax	8	-	(6.505)
Loss for the year		(458.203)	(19.108)
Other comprehensive income			
Items that will never be reclassified to profit or loss			
		-	-
Items that are or may be reclassified to profit or loss			
		-	-
Total comprehensive expense for the year		(458.203)	(19.108)

The notes on pages 9 to 19 are an integral part of these financial statements.

LACOCK HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	31 March 2017 €	31 March 2016 €
Assets			
Non-current assets			
Investments in subsidiaries	9	-	-
Total non-current assets		-	-
Current assets			
Trade and other receivables	11	-	31
Loans receivable	10	2.010.000	-
Refundable tax	12	247.358	247.358
Cash and cash equivalents	13	73.509	2.543.057
Total current assets		2.330.867	2.790.446
Total assets		2.330.867	2.790.446
Equity			
Share capital	14	27.416	27.416
Share premium	15	281.836.295	281.836.295
Revenue reserve	15	356	356
Accumulated losses	15	(279.538.630)	(279.080.427)
Total equity		2.325.437	2.783.640
Current liabilities			
Trade and other payables	16	5.430	6.806
Total current liabilities		5.430	6.806
Total equity and liabilities		2.330.867	2.790.446

On 2 May 2017 the Board of Directors of Lacock Holdings Limited approved and authorised these financial statements for issue.

.... Director
G. Flourentzou

.... Director
MILORAD VUJNOVIC

The notes on pages 9 to 19 are an integral part of these financial statements.

LACOCK HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share capital €	Share premium €	Revenue reserve €	Accumulated losses €	Total €
Balance at 1 April 2015	27.416	281.836.295	356	(279.061.319)	2.802.748
Comprehensive income					
Loss for the year	-	-	-	(19.108)	(19.108)
Total comprehensive income for the year	-	-	-	(19.108)	(19.108)
Transactions with owners of the Company					
Contributions and distributions					
Total transactions with owners	-	-	-	-	-
Balance at 31 March 2016	27.416	281.836.295	356	(279.080.427)	2.783.640
Balance at 1 April 2016	27.416	281.836.295	356	(279.080.427)	2.783.640
Comprehensive income					
Loss for the year	-	-	-	(458.203)	(458.203)
Total comprehensive income for the year	-	-	-	(458.203)	(458.203)
Transactions with owners of the Company					
Contributions and distributions					
Total transactions with owners	-	-	-	-	-
Balance at 31 March 2017	27.416	281.836.295	356	(279.538.630)	2.325.437

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the ultimate owners at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax resident and Cyprus domiciled. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the owners.

Accumulated losses reserve is the only reserve that is available for distribution.

The notes on pages 9 to 19 are an integral part of these financial statements.

LACOCK HOLDINGS LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	31 March 2017 €	31 March 2016 €
Cash flows from operating activities			
Loss for the year		(458.203)	(19.108)
Adjustments for:			
Impairment charge - investments in subsidiaries	9	450.000	-
Interest income	7	(1.502)	(6.885)
Income tax expense	8	-	6.505
Operating income		(10.000)	-
Cash used in operations before working capital changes		(19.705)	(19.488)
Decrease in trade and other receivables		31	292
Decrease in trade and other payables		(1.376)	(3.267)
Cash used in operations		(21.050)	(22.463)
Operating expenses paid		-	(7.766)
Net cash used in operating activities		(21.050)	(30.229)
Cash flows from investing activities			
Payment for acquisition of investments in subsidiaries	9	(450.000)	-
Loans granted		(2.000.000)	-
Interest received		1.502	6.885
Net cash (used in)/generated from investing activities		(2.448.498)	6.885
Net decrease in cash and cash equivalents		(2.469.548)	(23.344)
Cash and cash equivalents at beginning of the year		2.543.057	2.566.401
Cash and cash equivalents at end of the year	13	73.509	2.543.057

The notes on pages 9 to 19 are an integral part of these financial statements.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Lacock Holdings Limited (the "Company") was incorporated in Cyprus on 15 December 2005 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at AlphaMega - Akropolis Building, 3rd floor, flat / office 401, P.C. 2024, Nicosia.

The principal activity of the Company, which remained the same as last year, is to provide finance to its wholly owned subsidiaries.

At 31 March 2017 the share capital of the Company was held as follows:

	%	€
Dr Reddy's Laboratories SA	100	27.416

2. BASIS OF PREPARATION

(a) Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

The Company is not required by the Companies Law, Cap. 113, to prepare consolidated financial statements because the ultimate parent company Dr. Reddy's Laboratories Limited (Dr Reddy's) publishes consolidated financial statements in accordance with IFRSs as issued by International Accounting Standards Board and the Company does not intend to issue consolidated financial statements for the year ended 31 March 2017. The consolidated financial statements of Dr Reddy's are available for public use at No 8-2-337, Road No.3, Banjara Hills, Hyderabad, Telangana, India -500 034.

Since the EU 7th Directive permits the preparation of such consolidated financial statements in accordance with the Directive or in manner equivalent to that Directive and since the Companies Law, Cap.113, provides for the aforementioned exemption, the provisions in IAS 27 "Consolidated and Separate Financial Statements" requiring the preparation of such consolidated financial statements in accordance with IFRS do not apply.

These financial statements are the separate financial statements of the Company.

(b) Basis of measurement
The financial statements have been prepared under the historical cost convention.

(c) Adoption of new and revised IFRSs and Interpretations as adopted by the EU
During the current year the Company adopted all the changes to IFRS as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 April 2016. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, Standards, Revised Standards and Interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a significant effect on the financial statements of the Company.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. BASIS OF PREPARATION *(continued)*

(d) Use of estimates and judgments
The preparation of financial statements in accordance with IFRSs requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

- Income taxes:
  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- Impairment of investments in subsidiaries:
  The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

(e) Functional and presentation currency
The financial statements are presented in Euro (€) which is the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these financial statements.

Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries (continued)

Investments in subsidiaries are stated at cost less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

Operating income
Operating income comprises of interest receivable from loans receivable. Interest income is recognised as it accrues, using the effective interest method.

Finance income
Interest income is recognised on a time-proportion basis using the effective method.

Finance expenses
Interest expense and other borrowing costs are recognised in profit or loss using the effective interest method.

Tax
Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date. Current tax includes any adjustments to tax payable in respect of previous periods.

Financial instruments
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables
Trade and other receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables are stated after deducting the appropriate allowances for any impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Cash and cash equivalents
Cash and cash equivalents comprise demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an 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.

(iii) Trade and other payables
Trade payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in such derecognized financial assets that is created or retained by the Company is recognised as a separate asset or liability

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital
Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for imapirment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Events after the reporting date

Assets and liabilities are adjusted for events that occurred during the period from the reporting date to the date of approval of the financial statements by the Board of Directors, when these events provide additional information for the valuation of amounts relating to events existing at the reporting date or imply that the going concern concept in relation to part or the whole of the Company is not appropriate.

4. OPERATING INCOME

	31 March 2017 €	31 March 2016 €
Loan interest from Dr Reddy's Laboratories SA	10.000	-
	10.000	-

5. ADMINISTRATIVE EXPENSES

	31 March 2017 €	31 March 2016 €
Independent auditors' remuneration	5.414	5.050
Independent auditors' remuneration - prior years	959	19
Legal fees	12.234	13.219
Other expenses	-	281
	18.607	18.569

6. OTHER OPERATING EXPENSES

	31 March 2017 €	31 March 2016 €
Impairment charge - investments in subsidiaries	450.000	-

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

7. NET FINANCE INCOME AND EXPENSES

	31 March 2017 €	31 March 2016 €
Interest income	1.502	6.885
Finance income	1.502	6.885
Sundry finance expenses	(1.098)	(919)
Finance expenses	(1.098)	(919)
Net finance income	404	5.966

8. TAXATION

	31 March 2017 €	31 March 2016 €
Corporation tax	-	6.505
Charge for the year	-	6.505

Reconciliation of tax based on the taxable income and tax based on accounting losses:

	31 March 2017 €	31 March 2016 €
Accounting loss before tax	(458.203)	(12.603)
Tax calculated at the applicable tax rates	(57.275)	(1.575)
Tax effect of expenses not deductible for tax purposes	56.338	35
Tax effect of allowances and income not subject to tax	(188)	(862)
Time apportionment of taxable loss/ (income) for years that do not end 31/12	281	600
Tax effect of losses brought forward for the year	844	8.307
Tax as per statement of profit or loss and other comprehensive income - charge	-	6.505

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

9. INVESTMENTS IN SUBSIDIARIES

	31 March 2017 €	31 March 2016 €
Balance at 1 April	-	-
Additions	450.000	-
Impairment charge	(450.000)	-
Balance at 31 March	-	-

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	31 March 2017 Holding %	31 March 2016 Holding %	31 March 2017 €	31 March 2016 €
Reddy Pharma Italy Italia S.p.A	Italy	Sale of pharmaceutical products	100	100	-	-

Reddy Pharma was incorporated on 13 October 2006 with a share capital of €120.000. On 19 July 2007, a further equity contribution was made to the investment for €1.000.000. Additional equity contributions were made for a total amount of €6.925.000 during the year ended 31 March 2009, €2.550.000 during the year ended 31 March 2010, €3.520.000 during the year ended 31 March 2011 and €1.700.000 during the year ended 31 March 2012.

The investment in Reddy Pharma has been impaired by €1.013.831 at 31 March 2009, €195.169 at 31 March 2010, €3.705.000 at 31 March 2011 and €2.028.793 at 31 March 2012.

During the year ended 31 March 2013, total share capital contributions of €1.000.000 were made to Reddy Pharma. The contributions were made on 17 July 2012. The investment in Reddy Pharma has been impaired by €8.146.859 which represented the difference between the carrying amount of the investment and the net asset value of Reddy Pharma as at 31 March 2013, accumulating the impairment of Reddy Pharma to €15.089.652.

During the year ended 31 March 2014, the investment has been fully impaired resulting to an additional impairment of €1.725.348.

During the year ended 31 March 2017, total share capital contributions of €450.000 were made to Reddy Pharma. Management has assessed that due to the fact that the investment in Reddy Pharma continues to be loss making indicates that the investment is impaired. As a result, it has recognised full impairment of €450.000.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

10. LOANS RECEIVABLE

	31 March 2017 €	31 March 2016 €
Loans to parent (note 17 (i))	2.010.000	-
	2.010.000	-

The exposure of the Company to credit risk is reported in note 18 to the financial statements.

11. TRADE AND OTHER RECEIVABLES

	31 March 2017 €	31 March 2016 €
Other receivables	-	31

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 18 to the financial statements.

12. REFUNDABLE TAX

	31 March 2017 €	31 March 2016 €
Refundable tax	(247.358)	(247.358)

The Company is currently under negotiations with the Cyprus Inland revenue department concerning the pending tax assessments (tax years 2010 -2014).

13. CASH AND CASH EQUIVALENTS

	31 March 2017 €	31 March 2016 €
Cash at bank and in hand	73.509	66.161
Bank deposits	-	2.476.896
	73.509	2.543.057

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 18 to the financial statements.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

14. SHARE CAPITAL

	31 March 2017 Number of shares	31 March 2017 €	31 March 2016 Number of shares	31 March 2016 €
Authorised				
Ordinary shares of €1,71 each	50.000	85.500	50.000	85.500
Issued and fully paid				
Balance at 1 April	16.033	27.416	16.033	27.416
Balance at 31 March	16.033	27.416	16.033	27.416

15. RESERVES

Share premium:
The share premium consists of amounts incurred from the issue of shares at prices higher than their nominal value.

Accumulated losses:
Accumulated losses comprise of the accumulated retained profits and losses of the Company.

Difference from conversion of share capital into Euro:
The difference from the conversion of share capital into Euro arises from the foreign exchange differences due to the translation of the equity using the fixed rate of €1,71 from £1,00 as a result of the introduction of the Euro currency in the Republic of Cyprus.

16. TRADE AND OTHER PAYABLES

	31 March 2017 €	31 March 2016 €
Accruals	5.430	6.806

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 18 to the financial statements.

17. RELATED PARTY TRANSACTIONS

The Company is controlled by Dr Reddy's Laboratories SA, which owns 100% of the Company's shares.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

17. RELATED PARTY TRANSACTIONS *(continued)*

The transactions and balances with related parties are as follows:

(i) Loans to parent (note 10)

	31 March 2017 €	31 March 2016 €
Dr Reddy's Laboratories SA	2.010.000	-

The loan to Dr Reddy's Laboratories SA was provided on commercial terms and conditions. The loan bears interest of 1% p.a. and it is repayable on 3 October 2017.

18. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

Financial risk factors
The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Financial risk management

(i) *Credit risk*
Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 March 2017 €	31 March 2016 €
Loans to parent	2.010.000	-
Other receivables	-	31
Cash at bank	73.509	2.543.057
Refundable tax	247.358	247.358
	2.330.867	2.790.446

The most significant exposure of the Company to credit risk is represented by the carrying amount of the loan receivable to parent at the reporting date. The loan has been partially repaid after the year end. Management has assessed that the loan receivable is recoverable based on the company's net asset position as at 31 December 2016.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

18. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT *(continued)*

(ii) *Liquidity risk*
Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 March 2017	Carrying amounts €	Between 3-12 months €	Between 1-5 years €	More than 5 years €
Accruals	5,430	5,430	-	-

31 March 2016	Carrying amounts €	Between 3-12 months €	Between 1-5 years €	More than 5 years €
Accruals	6,806	6,806	-	-

19. FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

20. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

On 2 May 2017 the Board of Directors of Lacock Holdings Limited approved and authorised these financial statements for issue.

Independent Auditors' Report

To the Members of **OctoPlus Development B.V.**

We have audited the accompanying financial statements of **OctoPlus Development B.V.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 December 2016;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), of the profit for the period ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the period ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

OctoPlus Development B.V.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	389,666	499,077	543,857
Intangible Assets		-	-	12
Capital Work in Progress		7,296	12,580	23,384
Total non current assets		**396,962**	**511,657**	**567,253**
Current assets				
Inventories		-	3,080	14,712
Financial assets				
Cash and cash equivalents	2.2	6,107	27,392	181,574
Trade receivables	2.3	4,292	51,526	641,796
Other assets	2.4	2,520,172	2,185,548	620,078
Other current assets	2.5	65,779	28,694	101,775
Total current assets		**2,596,350**	**2,296,240**	**1,559,935**
Total assets		**2,993,312**	**2,807,897**	**2,127,188**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.6	1,296	1,296	1,296
Other equity				
Other reserves		37,407	165,387	(36,454)
Share premium		972,930	972,930	972,930
Retained earnings		1,543,450	1,176,965	463,655
Total equity		**2,555,083**	**2,316,578**	**1,401,427**
Non current liabilities				
Financial Liabilities				
Borrowings	2.7	1,686	3,733	6,487
		1,686	**3,733**	**6,487**
Current liabilities				
Financial Liabilities				
Trade payables	2.8	47,654	21,852	31,609
Other current financial liabilities	2.9	359,456	442,429	683,505
Other current liabilities	2.10	29,433	23,305	4,160
Total Liabilities		**436,543**	**487,586**	**719,274**
Total equity and liabilities		**2,993,312**	**2,807,897**	**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 and on behalf of the Board of Directors of **OctoPlus Development B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoPlus Development B.V.
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Revenue from operations	2.11	782,185	1,407,909
Other Income	2.12	81,735	66,970
Total Income		**863,920**	**1,474,879**
Expenses			
Cost of material consumed		93,463	155,256
Employee benefits expense	2.13	119,367	215,235
Depreciation and amortisation expense	2.14	119,783	148,488
Finance costs	2.15	9,624	19,259
Other expenses	2.16	155,198	223,331
Total expense		**497,435**	**761,569**
Profit/(Loss) before tax		**366,485**	**713,310**
Income tax expense		-	-
Profit/(Loss) for the year		**366,485**	**713,310**
Earnings per share:			
Basic - Par value of EUR 1 per share		20,192.03	39,300.83
Diluted - Par value of EUR 1 per share		20,192.03	39,300.83
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OctoPlus Development B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoPlus Development B.V.
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Operating activities		
Profit before taxation	366,485	713,310
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	119,783	148,488
Interest income	(55)	(256)
Provision for inventory obsolescence	(39)	9,569
Operating cash flows before working capital changes	**486,174**	**871,111**
Working capital adjustments:		
Trade receivables	42,983	648,711
Inventories	3,119	3,326
Trade payables	27,406	(13,076)
Other assets & liabilities,net	(585,676)	(1,641,455)
	(25,994)	**(131,383)**
Income tax paid	-	-
Net cash flows from operating activities	**(25,994)**	**(131,383)**
Net cash flows used in investing activities		
Purchase of tangible and intangible assets	(5,088)	(35,162)
Interest received	55	256
	(5,033)	**(34,906)**
Net cash flows from/ (used in) financing activities		
(Repayment of)/Proceeds from borrowings,net	10,423	(3,059)
	10,423	**(3,059)**
Net increase / (decrease) in cash and cash equivalents	(20,604)	(169,348)
Cash and cash equivalents at the beginning of the year	27,392	181,574
Effect of foreign exchange loss on cash and cash equivalents	(681)	15,166
Cash and cash equivalents at the end of the year	**6,107**	**27,392**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	6,107	27,392
Cash and bank balances at the end of the year	**6,107**	**27,392**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OctoPlus Development B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoPlus Development B.V.

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Other Equity				Total Equity
	Shares	Amount	Other components of equity(OCI)	Share Premium	General reserve	Retained Earnings	
Balance as of 1 April 2015	**18,150**	**1,296**	**(197,305)**	**972,930**	**160,851**	**463,655**	**1,401,427**
Foreign currency translation differences	-	-	201,841			-	201,841
Profit for the period					-	713,310	713,310
Balance as of 31 March 2016	**18,150**	**1,296**	**4,536**	**972,930**	**160,851**	**1,176,965**	**2,316,578**
Foreign currency translation differences			(127,980)	-			(127,980)
Profit for the period	-	-	-	-		366,485	366,485
Balance as of 31 December 2016	**18,150**	**1,296**	**(123,444)**	**972,930**	**160,851**	**1,543,450**	**2,555,083**

As per our report of even date attached

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

for and on behalf of the Board of Directors of **OctoPlus Development B.V.**

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.4 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

OctoPlus Development B.V.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Interest received / receivable from holding company and other group companies:		
Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.)	40,251	21,447
OctoPlus Sciences B.V.	2,976	3,538
Chienna B.V.	26,630	28,640
OctoPlus Technologies B.V.	11,717	8,286
Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	751,192	1,275,843
Dr. Reddy's Laboratories SA	15,523	17,271
Interest paid / payable to holding company and other group companies:		
OctoShare B.V.	9,401	18,625
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 December 2016	As at 31 March 2016
Due from holding company and other group companies (included in other current financial assets and trade receivables):		
Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.)	1,071,718	1,039,599
OctoPlus Sciences B.V.	78,511	78,983
OctoPlus PolyActive Sciences B.V.	3	3
Chienna B.V.	737,016	673,654
Dr. Reddy's Laboratories Limited	262,370	47,900
OctoPlus Technologies B.V.	365,389	260,273
Dr. Reddy’s Laboratories SA	5,165	3,626
Due to holding company and other group companies(included in other current financial liabilities):		
OctoShare B.V.	235,566	258,481

1.3 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.4 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.5 The company, incorporated in Netherlands , is a 100% subsidiary of Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.).The entity has been merged with Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.) with effect from 1 January 2017.

OctoPlus Development B.V.

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

Note 2: Notes to financial statements (continued)

2.1 : Property, plant and equipment

Description	Gross Block					Depreciation / Amortization					Net Block	
	As at 01.04.2016	Additions	Disposals	Foreign exchange adjustments	As at 31.12.2016	As at 01.04.2016	For the year	Disposals	Foreign exchange adjustments	As at 31.12.2016	As at 31.12.2016	As at 31.03.2016
Plant and machinery	645,774	-	-	(32,004)	613,770	326,757	73,425		(18,835)	381,347	232,423	319,017
Laboratory equipment	259,594	28,873		(13,869)	274,598	97,411	40,167		(6,193)	131,385	143,213	162,183
Office equipment	28,416	2,947		(1,653)	29,710	10,539	6,191		(1,049)	15,681	14,030	17,877
Total tangible assets (A)	**933,784**	**31,820**	**-**	**(47,526)**	**918,078**	**434,707**	**119,783**	**-**	**(26,077)**	**528,413**	**389,666**	**499,077**
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)	**936,944**	**31,820**	**-**	**(47,526)**	**921,238**	**437,855**	**119,783**	**-**	**(26,065)**	**531,573**	**389,666**	**499,090**

Description	Gross Block					Depreciation / Amortization					Net Block	
	As at 01.04.2015	Additions	Disposals	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year	Disposals	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 01.04.2015
Plant and machinery	575,516	-	-	70,258	645,774	202,624	95,306	-	28,827	326,757	319,017	372,892
Laboratory equipment	196,641	37,210	-	25,743	259,594	43,172	45,799	-	8,440	97,411	162,183	153,469
Office equipment	20,653	4,428	-	3,335	28,416	3,156	7,383	-	-	10,539	17,877	17,497
Total tangible assets (A)	**792,810**	**41,638**	**-**	**99,336**	**933,784**	**248,952**	**148,488**	**-**	**37,267**	**434,707**	**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**	**41,638**	**-**	**99,336**	**936,944**	**252,099**	**148,488**	**-**	**37,279**	**437,867**	**499,077**	**543,870**

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

Financial Assets

	As at 31 December 2016	As at 31 March 2016	As at 01 April 2015
2.2 : Cash and cash equivalents			
Balances with banks:			
- In current accounts	6,018	27,389	13,509
- In term deposit accounts	-	-	168,053
Cash on hand	89	3	12
	6,107	**27,392**	**181,574**

	As at 31 December 2016	As at 31 March 2016	As at 01 April 2015
2.3 : Trade receivables			
Receivables from other parties	4,292	51,526	641,796
	4,292	**51,526**	**641,796**

	As at 31 December 2016	As at 31 March 2016	As at 01 April 2015
2.4 : Other Assets			
Other assets receivable from holding company and other group companies	2,520,172	2,185,548	620,078
	2,520,172	**2,185,548**	**620,078**

Other Assets

	As at 31 December 2016	As at 31 March 2016	As at 01 April 2015
2.5: Other current assets			
Prepaid expenses	3,748	8,987	9,470
Balance with statutory agencies	61,327	19,530	80,104
Other advances	13	161	1,162
Other assets	692	16	11,039
	65,779	**28,694**	**101,775**

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

Note 2: Notes to the financial statements

2.6 : Share capital

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
100,000 shares (31 March 2016 : 100,000; 1 April 2015 : 100,000) of Euro 1 each	7,140	7,140	7,140
Issued equity capital			
18,150 shares (31 March 2016 : 18,150; 1 April 2015 : 18,150) of Euro 1 each	1,296	1,296	1,296
Subscribed and fully paid-up			
18,150 shares (31 March 2016 : 18,150; 1 April 2015 : 18,150) of Euro 1 each	1,296	1,296	1,296
	1,296	**1,296**	**1,296**

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

Particulars	As at 31 December 2016		As at 31 March 2016		As at 1 April 2015	
Number of shares outstanding at the beginning of the year	18,150	1,296	18,150	1,296	18,150	1,296
Shares issued during the year	-	-	-	-	-	-
Number of shares outstanding at the end of the year	**18,150**	**1,296**	**18,150**	**1,296**	**18,150**	**1,296**

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

Particulars	As at 31 December 2016		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares	No.of equity shares	% of equity shares
Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.)	18,150	100%	18,150	100%	18,150	100%

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.7 : Non current borrowings			
From other parties			
Long term borrowings from holding company and other group companies	1,686	3,733	6,487
	1,686	**3,733**	**6,487**

Financial Liabilities

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.8 : Trade Payables			
Other payables	47,654	21,852	31,609
	47,654	**21,852**	**31,609**

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.9 : Other current financial liabilities			
Accrued expenses	51,516	78,602	75,170
Capital Creditors	9,072	9,230	15,850
Current maturities of finance lease obligations	2,673	3,351	2,665
Other liabilities payable to holding/other group companies	235,566	258,481	454,834
Other liabilities	60,628	92,765	134,986
	359,456	**442,429**	**683,505**

Other Liabilities

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.10 : Other Current Liabilities			
Salary and bonus payable	7,739	11,607	974
Due to statutory authorities	8,651	7,425	3,186
Deferred Revenue	9,750	-	-
Other liabilities	3,293	4,273	-
	29,433	**23,305**	**4,160**

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 the financial statements

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.11 : Revenue from operations		
Service Income	769,090	1,407,909
Sales	13,094	-
	782,185	**1,407,909**
2.12 : Other income		
Foreign exchange gain,net	105	655
Interest income	81,575	62,375
Other income	55	3,940
	81,735	**66,970**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.13 : Employee benefits expense		
Salaries, wages and bonus	119,367	215,235
	119,367	**215,235**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.14 : Depreciation and amortisation expense		
Depreciation of property,plant and equipment	119,783	148,488
	119,783	**148,488**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.15 : Finance costs		
Interest on long term borrowings	9,624	19,259
	9,624	**19,259**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.16 : Other expenses		
Legal and professional	16,301	19,070
Power and fuel	19,890	26,979
Travelling and conveyance	13,995	14,070
Repairs and maintenance	60,942	94,277
Other general expenses	44,068	68,935
	155,198	**223,331**

Independent Auditors' Report

To the Members of **OctoPlus PolyActive Sciences B.V.**

We have audited the accompanying financial statements of **OctoPlus PolyActive Sciences B.V.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 December 2016;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), of the profit for the period ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the period ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

OctoPlus PolyActive Sciences B.V.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
ASSETS				
Current assets				
Financial assets				
Other assets	2.1	1,300	1,373	1,206
Total current assets		**1,300**	**1,373**	**1,206**
Total assets		**1,300**	**1,373**	**1,206**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.2	1,285	1,285	1,285
Other equity				
Other reserves		1	80	(80)
Retained earnings		11	5	(2)
Total equity		**1,297**	**1,370**	**1,203**
Current liabilities				
Financial Liabilities				
Other current financial liabilities	2.3	3	3	3
Total Liabilities		**3**	**3**	**3**
Total equity and liabilities		**1,300**	**1,373**	**1,206**
Significant accounting policies	1			

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OctoPlus PolyActive Sciences B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoPlus PolyActive Sciences B.V.
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Other Income	2.4	6	7
Total Income		**6**	**7**
Total expense		**-**	**-**
Profit/(Loss) before tax		**6**	**7**
Income tax expense		-	-
Profit/(Loss) for the year		**6**	**7**
Earnings per share:			
Basic - Par value of EUR 1 per share		0.32	0.40
Diluted - Par value of EUR 1 per share		0.32	0.40
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OctoPlus PolyActive Sciences B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoPlus PolyActive Sciences B.V.
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Operating activities		
Profit before taxation	6	7
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	-	-
Operating cash flows before working capital changes	**6**	**7**
Working capital adjustments:		
Other assets & liabilities,net	(6)	(7)
	-	-
Income tax paid	-	-
Net cash flows from operating activities	-	-
Net cash flows used in investing activities	-	-
Net cash flows from/ (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Effect of foreign exchange loss on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the year	-	-
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	-	-
Cash and bank balances at the end of the year	-	-

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OctoPlus PolyActive Sciences B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoPlus PolyActive Sciences B.V.

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Other Equity		Total Equity
	Shares	Amount	Other components of equity(OCI)	Retained Earnings	
Balance as of 1 April 2015	**18,000**	**1,285**	**(80)**	**(2)**	**1,203**
Foreign currency translation differences	-	-	160	-	160
Profit for the period	-	-	-	7	7
Balance as of 31 March 2016	**18,000**	**1,285**	**80**	**5**	**1,370**
Foreign currency translation differences	-	-	(79)	-	(79)
Profit for the period	-	-	-	6	6
Balance as of 31 December 2016	**18,000**	**1,285**	**1**	**11**	**1,297**

As per our report of even date attached

for and on behalf of the Board of Directors of **OctoPlus PolyActive Sciences B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.4 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.
Financial liabilities
Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.
Investments in Subsidiaries:
Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.
Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax
Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories
Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.
Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company’s business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies
Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.
When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

OctoPlus PolyActive Sciences B.V.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern
The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions
a. The company has the following related party transactions:

Particulars	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Interest received from holding company or other group companies:		
Dr. Reddy's Research and Development B.V.(formerly Octoplus B.V.)	6	7

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

Particulars	As at 31 December 2016	As at 31 March 2016
Due from holding company and other group companies(included in other financial assets):		
Dr. Reddy's Research and Development B.V.(formerly Octoplus B.V.)	153	156
Octoplus Sciences B.V.	1,147	1,206
Due to holding company and other group companies(included in other current financial liabilities):		
Octoplus Development B.V.	3	3

1.3 Provisions, Contingent Liabilities and Contingent Assets
Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.4 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.5 The company, incorporated in Netherlands , is a 100% subsidiary of OctoPlus Sciences B.V.(formerly OctoPlus B.V.).The entity has been merged with Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.) with effect from 1 January 2017.

OctoPlus PolyActive Sciences B.V.

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

Note 2: Notes to the financial statements

Financial Assets

	As at 31 December 2016	As at 31 March 2016	As at 01 April 2015
2.1 : Other Assets			
Other assets receivable from holding company and other group companies	1,300	1,362	1,206
Other assets	-	11	-
	1,300	**1,373**	**1,206**

Equity

2.2 : Share capital

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
90,000 shares (31 March 2016 : 90,000; 1 April 2015 : 90,000) of Euro 1 each	6,426	6,426	6,426
Issued equity capital			
18,000 shares (31 March 2016 : 18,000; 1 April 2015 : 18,000) of Euro 1 each	1,285	1,285	1,285
Subscribed and fully paid-up			
18,000 shares (31 March 2016 : 18,000; 1 April 2015 : 18,000) of Euro 1 each	1,285	1,285	1,285
	1,285	**1,285**	**1,285**

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

Particulars	As at 31 December 2016		As at 31 March 2016		As at 1 April 2015	
Number of shares outstanding at the beginning of the year	18,000	1,285	18,000	1,285	18,000	1,285
Shares issued during the year	-	-	-	-	-	-
Number of shares outstanding at the end of the year	**18,000**	**1,285**	**18,000**	**1,285**	**18,000**	**1,285**

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

Particulars	As at 31 December 2016		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares	No.of equity shares	% of equity shares
Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.)	18,000	100%	18,000	100%	18,000	100%

Financial Liabilities

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.3 : Other current financial liabilities			
Other liabilities payable to holding/other group companies	3	3	3
	3	**3**	**3**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.4 : Other income		
Interest income	6	7
	6	**7**

Independent Auditors' Report

To the Members of **OctoPlus Sciences B.V.**

We have audited the accompanying financial statements of **OctoPlus Sciences B.V.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 December 2016;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), of the Loss for the period ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the period ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

OctoPlus Sciences B.V.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Intangible Assets	2.1	-	17,284	35,003
Total non current assets		**-**	**17,284**	**35,003**
Current assets				
Financial assets				
Cash and cash equivalents	2.2	35	283	1,190
Other assets	2.3	115,485	117,045	98,898
Other current assets	2.4	191	4,091	2,015
Total current assets		**115,711**	**121,419**	**102,103**
Total assets		**115,711**	**138,703**	**137,106**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.5	1,285	1,285	1,285
Other equity				
Other reserves		(82,403)	(79,946)	(87,142)
Share premium		340,526	340,526	340,526
Retained earnings		(229,192)	(211,094)	(187,384)
Total equity		**30,216**	**50,771**	**67,285**
Current liabilities				
Financial Liabilities				
Other current financial liabilities	2.6	85,495	87,932	69,821
Total Liabilities		**85,495**	**87,932**	**69,821**
Total equity and liabilities		**115,711**	**138,703**	**137,106**
Significant accounting policies	1			

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OctoPlus Sciences B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoPlus Sciences B.V.
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Other Income	2.7	4,400	5,449
Total Income		**4,400**	**5,449**
Expenses			
Depreciation and amortisation expense	2.8	16,427	21,084
Finance costs	2.9	3,199	3,814
Other expenses	2.10	2,872	4,261
Total expense		**22,498**	**29,159**
Profit/(Loss) before tax		**(18,098)**	**(23,710)**
Income tax expense		-	-
Profit/(Loss) for the year		**(18,098)**	**(23,710)**
Earnings per share:			
Basic - Par value of EUR 1 per share		(1,005.44)	(1,317.22)
Diluted - Par value of EUR 1 per share		(1,005.44)	(1,317.22)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OctoPlus Sciences B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoPlus Sciences B.V.
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Operating activities		
(Loss)/Profit before taxation	(18,098)	(23,710)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	16,427	21,084
Operating cash flows before working capital changes	**(1,671)**	**(2,626)**
Working capital adjustments:		
Other assets & liabilities,net	1,429	1,615
	(242)	**(1,011)**
Income tax paid	-	-
Net cash flows from operating activities	**(242)**	**(1,011)**
Net cash flows used in investing activities	**-**	**-**
Net cash flows from/ (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(242)	(1,011)
Cash and cash equivalents at the beginning of the year	283	1,190
Effect of foreign exchange loss on cash and cash equivalents	(6)	104
Cash and cash equivalents at the end of the year	**35**	**283**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	35	283
Cash and bank balances at the end of the year	**35**	**283**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OctoPlus Sciences B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoPlus Sciences B.V.

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Other Equity				Total Equity
	Shares	Amount	Other components of equity(OCI)	Share Premium	General reserve	Retained Earnings	
Balance as of 1 April 2015	**18,000**	**1,285**	**5,233**	**340,526**	**(92,375)**	**(187,384)**	**67,285**
Foreign currency translation differences	-	-	7,196	-	-	-	7,196
Loss for the period	-	-	-	-	-	(23,710)	(23,710)
Balance as of 31 March 2016	**18,000**	**1,285**	**12,429**	**340,526**	**(92,375)**	**(211,094)**	**50,771**
Foreign currency translation differences	-	-	(2,457)	-	-	-	(2,457)
Loss for the period	-	-	-	-	-	(18,098)	(18,098)
Balance as of 31 December 2016	**18,000**	**1,285**	**9,972**	**340,526**	**(92,375)**	**(229,192)**	**30,216**

As per our report of even date attached

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

for and on behalf of the Board of Directors of **OctoPlus Sciences B.V.**

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoPlus Sciences B.V.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)
These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.4 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company’s business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

OctoPlus Sciences B.V.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Interest paid/payable to holding company or other group companies:		
Octoplus development B.V.	2,976	3,538
Chienna B.V.	222	276
Interest received/receivable from holding and other group companies:		
OctoShare B.V.	337	405
Dr. Reddy's Research and development B.V.(formerly Octoplus B.V.)	3,357	4,167
OctoPlus Technologies B.V.	707	877

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

Particulars	As at 31 December 2016	As at 31 March 2016
Due from holding company and other group companies(included in other current financial assets):		
OctoShare B.V.	8,834	8,953
Dr. Reddy's Research and development B.V.(formerly Octoplus B.V.)	88,102	89,292
OctoPlus Technologies B.V.	18,549	18,800
Due to holding company and other group companies(included in other current financial liabilities):		
OctoPlus Development B.V.	78,511	78,983
OctoPlus PolyActive Sciences B.V.	1,147	1,206
Chienna B.V.	5,838	5,917

1.3 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.4 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.5 The company, incorporated in Netherlands , is a 100% subsidiary of Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.).The entity has been merged with Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.) with effect from 1 January 2017.

OctoPlus Sciences B.V.

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

Note 2: Notes to financial statements (continued)

2.1 : Intangible Assets

Description	Gross Block					Amortisation					Net Block	
	As at 01.04.2016	Additions	Deletions	Foreign exchange adjustments	As at 31.12.2016	As at 01.04.2016	For the year / period	Deletions	Foreign exchange adjustments	As at 31.12.2016	As at 31.12.2016	As at 31.03.2016
Intangibles	89,783			(8,034)	81,749	72,499	16,427		(7,177)	81,749	-	17,284
Total	**89,783**	**-**	**-**	**(8,034)**	**81,749**	**72,499**	**16,427**	**-**	**(7,177)**	**81,749**	**-**	**17,284**

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 01.04.2015
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**

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

Financial Assets

	As at 31 December 2016	As at 31 March 2016	As at 01 April 2015
2.2 : Cash and cash equivalents			
Balances with banks:			
- In current accounts	35	283	1,190
	35	**283**	**1,190**

	As at 31 December 2016	As at 31 March 2016	As at 01 April 2015
2.3 : Other Assets			
Other assets receivable from holding company and other group companies	115,485	117,045	98,898
	115,485	**117,045**	**98,898**

Other Assets

	As at 31 December 2016	As at 31 March 2016	As at 01 April 2015
2.4: Other current assets			
Prepaid expenses	-	2,359	1,734
Balance with statutory agencies	191	203	281
Other advances	-	1,529	-
	191	**4,091**	**2,015**

OctoPlus Sciences B.V.

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

Note 2: Notes to the financial statements

2.5 : Share capital

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
90,000 shares (31 March 2016 : 90,000; 1 April 2015 : 90,000) of Euro 1 each	6,426	6,426	6,426
Issued equity capital			
18,000 shares (31 March 2016 : 18,000; 1 April 2015 : 18,000) of Euro 1 each	1,285	1,285	1,285
Subscribed and fully paid-up			
18,000 shares (31 March 2016 : 18,000; 1 April 2015 : 18,000) of Euro 1 each	1,285	1,285	1,285
	1,285	**1,285**	**1,285**

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

Particulars	As at 31 December 2016		As at 31 March 2016		As at 1 April 2015	
Number of shares outstanding at the beginning of the year	18,000	1,285	18,000	1,285	18,000	1,285
Shares issued during the year	-	-	-	-	-	-
Number of shares outstanding at the end of the year	**18,000**	**1,285**	**18,000**	**1,285**	**18,000**	**1,285**

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

Particulars	As at 31 December 2016		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	**% of equity shares**	**No. of equity shares**	**% of equity shares**	**No.of equity shares**	**% of equity shares**
Octoplus B.V.	18,000	100%	18,000	100%	18,000	100%

Financial Liabilities

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.6 : Other current financial liabilities			
Current maturities of finance lease obligations			
Other liabilities payable to holding/other group companies	85,495	86,107	69,821
Other liabilities	-	1,825	-
	85,495	**87,932**	**69,821**

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

Note 2: Notes to the financial statements

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.7 : Other income		
Interest income	4,400	5,449
	4,400	**5,449**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.8 : Depreciation and amortisation expense		
Amortisation of intangible assets	16,427	21,084
	16,427	**21,084**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.9 : Finance costs		
Interest on long term borrowings	3,199	3,814
	3,199	**3,814**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.10 : Other expenses		
Legal and professional	2,855	4,256
Other general expenses	16	5
	2,872	**4,261**

Independent Auditors' Report

To the Members of **OctoPlus Technologies B.V.**

We have audited the accompanying financial statements of **OctoPlus Technologies B.V.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 December 2016, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 December 2016;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), of the Loss for the period ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the period ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

OctoPlus Technologies B.V.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
ASSETS				
Current assets				
Financial assets				
Cash and cash equivalents	2.1	1,313	2,069	3,661
Other current assets	2.2	20	115	3,181
Total current assets		**1,333**	**2,184**	**6,842**
Total assets		**1,333**	**2,184**	**6,842**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.3	1,428	1,428	1,428
Other equity				
Other reserves		(743,408)	(967,338)	(550,749)
Retained earnings		(3,105,511)	(2,851,829)	(2,527,341)
Total equity		**(3,847,491)**	**(3,817,739)**	**(3,076,662)**
Current liabilities				
Financial Liabilities				
Trade payables	2.4	54	-	-
Other current financial liabilities	2.5	3,820,120	3,765,439	3,059,750
Other current liabilities	2.6	28,650	54,484	23,754
Total Liabilities		**3,848,824**	**3,819,923**	**3,083,504**
Total equity and liabilities		**1,333**	**2,184**	**6,842**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OctoPlus Technologies B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R.Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoPlus Technologies B.V.
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Continuing operations			
Total Income		-	-
Expenses			
Employee benefits expense	2.7	108,596	150,949
Finance costs	2.8	143,133	171,451
Other expenses	2.9	1,953	2,088
Total expense		**253,682**	**324,488**
Profit/(Loss) before tax		**(253,682)**	**(324,488)**
Income tax expense		-	-
Profit/(Loss) for the year		**(253,682)**	**(324,488)**
Earnings per share:			
Basic - Par value of EUR 1 per share		(12,684.10)	(16,224.38)
Diluted - Par value of EUR 1 per share		(12,684.10)	(16,224.38)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OctoPlus Technologies B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R.Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoPlus Technologies B.V.
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Operating activities		
Loss before taxation	(253,682)	(324,488)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	-	-
Operating cash flows before working capital changes	**(253,682)**	**(324,488)**
Working capital adjustments:		
Trade Payables	54	-
Other assets & liabilities,net	252,953	322,530
	(675)	**(1,958)**
Income tax paid	-	-
Net cash flows from operating activities	**(675)**	**(1,958)**
Net cash flows used in investing activities	-	-
Net cash flows from/ (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(675)	(1,958)
Cash and cash equivalents at the beginning of the year	2,069	3,661
Effect of foreign exchange loss on cash and cash equivalents	(81)	366
Cash and cash equivalents at the end of the year	**1,313**	**2,069**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,313	2,069
Cash and bank balances at the end of the year	**1,313**	**2,069**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OctoPlus Technologies B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R.Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoPlus Technologies B.V.

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Other Equity			Total Equity
	Shares	Amount	Other components of equity(OCI)	General reserve	Retained Earnings	
Balance as of 1 April 2015	**20,000**	**1,428**	**185,232**	**(735,981)**	**(2,527,341)**	**(3,076,662)**
Foreign currency translation differences	-	-	(416,589)	-	-	(416,589)
Loss for the period	-	-	-	-	(324,488)	(324,488)
Balance as of 31 March 2016	**20,000**	**1,428**	**(231,357)**	**(735,981)**	**(2,851,829)**	**(3,817,739)**
Foreign currency translation differences	-	-	223,930	-	-	223,930
Loss for the period	-	-	-	-	(253,682)	(253,682)
Balance as of 31 December 2016	**20,000**	**1,428**	**(7,427)**	**(735,981)**	**(3,105,511)**	**(3,847,491)**

As per our report of even date attached

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

for and on behalf of the Board of Directors of **OctoPlus Technologies B.V**.

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R.Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.4 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

OctoPlus Technologies B.V.
Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern
The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Related Party Transactions
a. The company has the following related party transactions:

Particulars	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Interest paid/payable to holding company or other group companies:		
Dr. Reddy's Research and development B.V. (formerly Octoplus B.V.)	70,527	87,548
Octoplus Sciences B.V.	707	877
Chienna B.V.	9,070	11,256
Octoshare B.V.	51,113	63,485
Octoplus development B.V.	11,717	8,286

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

Particulars	As at 31 December 2016	As at 31 March 2016
Due to holding company and other group companies(included in other current financial liabilities):		
Dr. Reddy's Research and development B.V. (formerly Octoplus B.V.)	1,851,194	1,876,207
Octoplus Sciences B.V.	18,549	18,800
Chienna B.V.	238,056	241,281
Octoshare B.V.	1,341,569	1,359,753
Octoplus development B.V.	365,389	260,273

1.3 Provisions, Contingent Liabilities and Contingent Assets
Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.4 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.5 The company, incorporated in Netherlands , is a 100% subsidiary of Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.).The entity has been merged with Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.) with effect from 1 January 2017.

OctoPlus Technologies B.V.

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

Note 2: Notes to the financial statements

Financial Assets

	As at 31 December 2016	As at 31 March 2016	As at 01 April 2015
2.1 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	1,313	2,069	3,661
	1,313	**2,069**	**3,661**

Other Assets

	As at 31 December 2016	As at 31 March 2016	As at 01 April 2015
2.2: Other current assets			
Prepaid expenses	3	-	-
Advances to employees	17	115	-
Balances with statutory agencies	-	-	3,181
	20	**115**	**3,181**

Equity

2.3 : Share capital

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
100,000 (31 March 2016 : 20,000; 1 April 2015: 20,000) equity shares of Euro 1 each	1,428	1,428	1,428
Issued equity capital			
20,000 (31 March 2016 : 20,000; 1 April 2015: 20,000) equity shares of Euro 1 each	1,428	1,428	1,428
Subscribed and fully paid-up			
20,000 (31 March 2016 : 20,000; 1 April 2015: 20,000) equity shares of Euro 1 each	1,428	1,428	1,428
	1,428	**1,428**	**1,428**

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

Particulars	As at 31 December 2016		As at 31 March 2016		As at 1 April 2015	
Number of shares outstanding at the beginning of the year	20,000	1,428	20,000	1,428	20,000	1,428
Shares issued during the year	-	-	-	-	-	-
Number of shares outstanding at the end of the year	**20,000**	**1,428**	**20,000**	**1,428**	**20,000**	**1,428**

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

Particulars	As at 31 December 2016		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares	No.of equity shares	% of equity shares
Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.)	20,000	100%	20,000	100%	20,000	100%

Financial Liabilities

	As at 31 December 2016	As at 31 March 2016	As at 01 April 2015
2.4 : Trade Payables			
Other payables	54	-	-
	54	**-**	**-**

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.5 : Other current financial liabilities			
Accrued expenses	5,364	9,125	8,562
Other liabilities payable to holding/group companies	3,814,756	3,756,314	3,051,188
	3,820,120	**3,765,439**	**3,059,750**

Other Liabilities

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.6 : Other Current Liabilities			
Salary and bonus payable			
Due to statutory authorities	6,734	3,179	2,468
Deferred revenue	17,789	18,717	16,680
Other liabilities	4,127	32,588	4,606
	28,650	**54,484**	**23,754**

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

Note 2: Notes to the financial statements

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.7 : Employee benefits expense		
Salaries, wages and bonus	106,284	144,311
Contribution to provident and other funds	2,312	5,326
Staff Welfare expenses	-	1,312
	108,596	**150,949**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.8 : Finance costs		
Interest on long term borrowings	143,133	171,451
	143,133	**171,451**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.9 : Other expenses		
Communication	16	23
Travelling and conveyance	1,917	2,055
Bank charges	18	10
Repairs and maintenance	2	-
	1,953	**2,088**

Independent Auditors' Report

To the Members of **OctoShare B.V.**

We have audited the accompanying financial statements of **OctoShare B.V.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 December 2016;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), of the Loss for the period ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the period ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

OctoShare B.V.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	-	-	2
Total non current assets		**-**	**-**	**2**
Current assets				
Financial assets				
Cash and cash equivalents	2.2	1,004	1,881	2,995
Other assets	2.3	1,577,134	1,618,234	1,565,727
Other current assets	2.4	318	335	298
Total current assets		**1,578,456**	**1,620,450**	**1,569,020**
Total assets		**1,578,456**	**1,620,450**	**1,569,022**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.5	2,472	2,472	2,472
Other equity				
Other reserves		977,095	1,010,731	925,241
Retained earnings		(345,321)	(306,764)	(184,545)
Total equity		**634,246**	**706,439**	**743,168**
Non current liabilities				
Financial Liabilities				
Borrowings	2.6	880,747	892,647	719,320
		880,747	**892,647**	**719,320**
Current liabilities				
Financial Liabilities				
Trade payables	2.7	19	-	-
Other current financial liabilities	2.8	3,195	5,914	10,523
Other current liabilities	2.9	60,249	15,450	96,011
Total Liabilities		**63,463**	**21,364**	**106,534**
Total equity and liabilities		**1,578,456**	**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 and on behalf of the Board of Directors of **OctoShare B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoShare B.V.

Statement of Profit and Loss

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

	Note	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Other Income	2.10	60,514	82,110
Total Income		**60,514**	**82,110**
Expenses			
Employee benefits expense	2.11	63,805	161,305
Depreciation and amortisation expense	2.12	-	2
Finance costs	2.13	33,555	40,398
Other expenses	2.14	1,711	2,624
Total expense		**99,070**	**204,329**
Profit/(Loss) before tax		**(38,557)**	**(122,219)**
Income tax expense		-	-
Profit/(Loss) for the year		**(38,557)**	**(122,219)**
Earnings per share:			
Basic - Par value of EUR 1 per share		(1,110.76)	(3,528.47)
Diluted - Par value of EUR 1 per share		(1,110.76)	(3,528.47)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OctoShare B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoShare B.V.
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Operating activities		
Profit before taxation	(38,557)	(122,219)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	-	2
Operating cash flows before working capital changes	**(38,557)**	**(122,217)**
Working capital adjustments:		
Increase in other assets & liabilities,net	37,746	120,797
	(811)	**(1,420)**
Income tax paid	-	-
Net cash flows from operating activities	**(811)**	**(1,420)**
Net cash flows used in investing activities		
Purchase of tangible and intangible assets	-	-
	-	-
Net cash flows from/ (used in) financing activities		
Proceeds from issuance of share capital	-	-
	-	-
Net increase / (decrease) in cash and cash equivalents	(811)	(1,420)
Cash and cash equivalents at the beginning of the year	1,881	2,995
Effect of foreign exchange loss on cash and cash equivalents	(67)	306
Cash and cash equivalents at the end of the year	**1,004**	**1,881**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,004	1,881
Cash and bank balances at the end of the year	**1,004**	**1,881**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OctoShare B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoShare B.V.

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Other Equity			Total Equity
	Shares	Amount	Other components of equity	General reserve	Retained Earnings	
Balance as of 1 April 2015	**34,638**	**2,472**	**32,068**	**893,173**	**(184,545)**	**743,168**
Foreign currency translation differences	-	-	85,490		-	85,490
Loss for the period				-	(122,219)	(122,219)
Balance as of 31 March 2016	**34,638**	**2,472**	**117,558**	**893,173**	**(306,764)**	**706,439**
Foreign currency translation differences			(33,636)			(33,636)
Loss for the period	-	-	-		(38,557)	(38,557)
Balance as of 31 December 2016	**34,638**	**2,472**	**83,922**	**893,173**	**(345,321)**	**634,246**

As per our report of even date attached

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

for and on behalf of the Board of Directors of **OctoShare B.V.**

PSRVV Surya Rao
Partner
Membership No. 202367

Dr. Amit Biswas
Director

R. Friedrichs
Director

Place: Hyderabad
Date: 9 May 2017

OctoShare B.V.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities
Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:
Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax
Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories
Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

OctoShare B.V.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern
The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions
a. The company has the following related party transactions:

Particulars	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
Interest paid/payable to holding company or other group companies:		
Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.)	26,185	31,270
OctoPlus Sciences B.V.	337	405
Chienna B.V.	7,033	8,722
Interest received/receivable from holding and other group companies:		
OctoPlus Development B.V.	9,401	18,625
OctoPlus Technologies B.V.	51,113	63,485

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

Particulars	As at 31 December 2016	As at 31 March 2016
Due from holding company and other group companies(included in other current financial assets):		
OctoPlus Development B.V.	235,566	258,481
OctoPlus Technologies B.V.	1,341,569	1,359,753
Due to holding company and other group companies(included in borrowings):		
Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.)	687,314	696,600
OctoPlus Sciences B.V.	8,834	8,953
Chienna B.V.	184,599	187,093

1.3 Provisions, Contingent Liabilities and Contingent Assets
Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.4 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.5 The company, incorporated in Netherlands , is a 100% subsidiary of Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.).The entity has been merged with Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.) with effect from 1 January 2017.

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

Note 2: Notes to financial statements (continued)

2.1 : Property, plant and equipment

Description	Gross Block					Depreciation					Net Block	
	As at 1.04.2016	Additions	Disposals	Foreign exchange adjustments	As at 31.12.2016	As at 1.04.2016	For the year	Disposals	Foreign exchange adjustments	As at 31.12.2016	As at 31.12.2016	As at 31.03.2016
Office Equipment	634	-	-	(31)	603	634	-	-	(31)	603	-	-
TOTAL	**634**	**-**	**-**	**(31)**	**603**	**634**	**-**	**-**	**(31)**	**603**	**-**	**-**

Description	Gross Block					Depreciation					Net Block	
	As at 1.04.2015	Additions	Disposals	Foreign exchange adjustments	As at 31.03.2016	As at 1.04.2015	For the year	Disposals	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 1.04.2015
Office Equipment	565	-	-	69	634	563	2	-	69	634	-	2
TOTAL	**565**	**-**	**-**	**69**	**634**	**563**	**2**	**-**	**69**	**634**	**-**	**2**

OctoShare B.V.

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

Note 2: Notes to the financial statements

Financial Assets

	As at 31 December 2016	As at 31 March 2016	As at 01 April 2015
2.2 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	1,004	1,881	2,995
	1,004	**1,881**	**2,995**

	As at 31 December 2016	As at 31 March 2016	As at 01 April 2015
2.3 : Other Assets			
Other assets receivable from holding company and other group companies	1,577,134	1,618,234	1,565,727
	1,577,134	**1,618,234**	**1,565,727**

Other Assets

	As at 31 December 2016	As at 31 March 2016	As at 01 April 2015
2.4: Other current assets			
Security deposits	318	335	298
	318	**335**	**298**

Equity

2.5 : Share capital

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
174,800 (31 March 2016 : 174,800; 1 April 2015: 174,800) equity shares of Euro 1 each	12,480	12,480	12,480
Issued equity capital			
34,638 (31 March 2016 : 34,638; 1 April 2015: 34,638) equity shares of Euro 1 each	2,472	2,472	2,472
Subscribed and fully paid-up			
34,638 (31 March 2016 : 34,638; 1 April 2015: 34,638) equity shares of Euro 1 each	2,472	2,472	2,472
	2,472	**2,472**	**2,472**

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

Particulars	As at 31 December 2016		As at 31 March 2016		As at 1 April 2015	
Number of shares outstanding at the beginning of the year	34,638	2,472	34,638	2,472	34,638	2,472
Shares issued during the year	-	-	-	-	-	-
Number of shares outstanding at the end of the year	**34,638**	**2,472**	**34,638**	**2,472**	**34,638**	**2,472**

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

Particulars	As at 31 December 2016		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	**% of equity shares**	**No. of equity shares**	**% of equity shares**	**No.of equity shares**	**% of equity shares**
Octoplus B.V.	34,638	100%	34,638	100%	34,638	100%

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.6 : Non current borrowings			
From other parties			
Long term borrowings from holding company and other group companies	880,747	892,647	719,320
	880,747	**892,647**	**719,320**

Financial Liabilities

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.7 : Trade Payables			
Other payables	19	-	-
	19	**-**	**-**

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.8 : Other current financial liabilities			
Accrued expenses	3,195	5,914	10,523
Other liabilities payable to holding/group companies	-		
	3,195	**5,914**	**10,523**

Other Liabilities

	As at 31 December 2016	As at 31 March 2016	As at 1 April 2015
2.9 : Other Current Liabilities			
Due to statutory authorities	57,930	12,392	90,584
Other liabilities	2,319	3,058	5,427
	60,249	**15,450**	**96,011**

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

Note 2: Notes to the financial statements

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.10 : Other income		
Interest income	60,514	82,110
	60,514	**82,110**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.11 : Employee benefits expense		
Salaries, wages and bonus	61,947	153,066
Contribution to provident and other funds	1,858	7,876
Staff Welfare expenses	-	363
	63,805	**161,305**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.12 : Depreciation and amortisation expense		
Depreciation of property,plant and equipment	-	2
	-	**2**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.13 : Finance costs		
Interest on long term borrowings	33,555	40,398
	33,555	**40,398**

	For the period 1 April 2016 to 31 December 2016	For the year ended 31 March 2016
2.14 : Other expenses		
Selling expenses		
Travelling and conveyance	1,331	2,087
Printing and stationary	269	-
Repairs and maintenance	26	4
Other general expenses	85	533
	1,711	**2,624**

To the participants of Limited Liability Company
“Dr. Reddy’s Laboratories”

Auditors’ report

on the financial statements of

**the Limited Liability Company
“Dr. Reddy’s Laboratories”**

for the 2016 reporting year

Set out below is an unofficial translation of the auditors’ report on the statutory financial statements of the Limited Liability Company “Dr. Reddy’s Laboratories” as at and for the year ended 31 December 2016. The statutory financial statements to which the auditors’ report relates have been prepared in accordance with the accounting and reporting regulations of the Russian Federation. Russian accounting and reporting regulations differ from accounting frameworks in other jurisdictions. Consequently, the accompanying statutory financial statements are not intended to present the financial position, financial performance and cash flows of the Limited Liability Company “Dr. Reddy’s Laboratories” in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Russian Federation.

Information on the audit firm

Name of the audit firm:	Joint Stock Company "KPMG".
Location (legal address):	18/1, Olympiysky prospect, Room 3035, Moscow 123112.
Postal address:	10, Presnenskaya Naberezhnaya, Block C, floor 31, Moscow 123112.
State registration:	Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585. Included in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.
Membership in a self-regulating auditors' organisation	Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203.

Information on the audited company

Name of audited company:	Limited Liability Company "Dr. Reddy's Laboratories".
Location (legal address):	Building 1, 20, Ovchinnikovskaya Naberezhnaya, Moscow, 115035.
Postal address:	Building 1, 20, Ovchinnikovskaya Naberezhnaya, Moscow, 115035.
State registration:	Registered in the Unified State Register of Legal Entities on 5 April 2003 by the Moscow Central Administrative District Tax Inspectorate No. 7 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1037707013838, Certificate series 77 No. 002289158.

Auditors’ report

To the participants of Limited Liability Company “Dr. Reddy’s Laboratories”

We have audited the accompanying financial statements of the Limited Liability Company “Dr. Reddy’s Laboratories” (hereinafter the “Company”) for the 2016 reporting year.

The financial statements, set on 42 pages, comprise:

— the balance sheet as at 31 December 2016;

— the statement of financial performance for 2016;

— the appendices to the balance sheet and the statement of financial performance including:

  - the statement of changes in equity for 2016;
  - the statement of cash flows for 2016;
  - the notes to the balance sheet and the statement of financial performance;

— the explanatory notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and reliability of the financial statements in accordance with the requirements of the Russian reporting legislation and for the system of internal control necessary for the preparation of the financial statements which are free from material misstatements, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the financial statements in all material respects based on our audit. We conducted our audit in accordance with the Federal Standards on Auditing. These standards require that we comply with relevant ethical requirements and planning and performing the audit in order to obtain sufficient assurance as to whether the financial statements are free from material misstatements.

The audit included performing procedures to obtain audit evidence confirming the amounts and disclosures in the financial statements. The selection of the procedures is a matter of our judgment, which is based on the assessment of risk of material misstatement, whether due to fraud or error. In the process of risk assessment we considered the system of internal control relevant to the preparation and reliability of the financial statements in order to select appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The audit also included an assessment of the appropriateness of the Company’s accounting policy and the reasonableness of the estimates made by management, as well as the evaluation of 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 opinion on the reliability of the financial statements.

Opinion

In our opinion, the accompanying financial statements present reliably, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance and cash flows for the 2016 reporting year in accordance with the requirements of the Russian reporting legislation.

Deputy Director of JSC “KPMG”, (power of attorney dated 16 March 2015 № 35/15)	Bezverkhaya A.A.

10 May 2017

Balance Sheet

As at 31 December 2016

	Codes		
OKUD form	0710001		
Date (day, month, year)	31	12	2016
Under OKPO	14196751		
TIN	7707321227		
OKVED	46.18		
under OKOPF/OKFS	65	23	
under OKEI	384		

Organization **Limited Liability Company "Dr. Reddy's Laboratories"**

Taxpayer identification number

Line of business **Wholesale of pharmaceutical goods**

Form of incorporation/form of ownership

Limited Liabilities Company / Private

Unit of measurement : '000 RUB

Location (address)

20/1, Ovchinnikovskaya nabereznaya, Moscow, Russia, 115035

Notes	Indicator	Line Code	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
	ASSETS				
	I. NON-CURRENT ASSETS				
1	Intangible assets	1110	54 174	60 226	55 353
	including: Intangible assets within the entity	11101	48 772	60 226	55 353
	Acquisition of intangible assets	11102	5 402	-	-
	Research and development results	1120	-	-	-
	Intangible exploration assets	1130	-	-	-
	Tangible exploration assets	1140	-	-	-
2	Property, Plant and Equipment	1150	146 572	118 295	13 399
	including: Property, Plant and Equipment within the entity	11501	146 572	118 295	13 399
	Income-bearing investments in tangible assets	1160	-	-	-
3	Financial investments	1170	29 650	27 850	-
	Deferred tax assets	1180	260 500	281 606	270 301
	Other non-current assets	1190	-	-	-
	Total for Section I	1100	490 896	487 977	339 053
	II. CURRENT ASSETS				
4	Inventories	1210	2 098 021	1 854 613	1 167 799
	Including: Materials	12101	25 204	15 417	16 265
	Goods	12102	2 072 792	1 838 863	1 151 534
	Current assets of low cost	12103	25	333	-
	Value-added tax on acquired assets	1220	-	-	-
5.1.	Receivables	1230	7 423 843	5 777 411	5 326 866
	Including: Advances issued	12301	109 752	87 023	101 837
	Receivables - Customers	12302	5 467 630	4 764 986	4 608 791
	Receivables - Taxes	12303	70 811	20 580	14 512
	Receivables - Social security and insurance	12304	15 865	3 771	4 015
	Receivables - Wages and salaries	12305	138	35	-
	Settlements with accountable persons	12306	9 876	8 942	8 480
	Other settlements with personnel	12307	1 301	70	18
	Other payables and receivables	12308	1 748 470	892 004	589 213
3	Financial investments (except for cash equivalent)	1240	-	-	26 350
	Including: Granted loans	12401	-	-	26 350
	Cash and cash equivalents	1250	22 200	173 107	118 830
	Including: Cash in organization	12501	194	172	171
	Settlement accounts	12502	22 006	172 935	118 659
	Other current assets	1260	20 501	12 085	5 135
	Including: Deferred expenses	12601	20 499	11 010	5 135
	Value-added tax on advances given	12602	2	1 075	-
	Total for Section II	1200	9 564 565	7 817 216	6 644 980
	BALANCE	1600	10 055 461	8 305 193	6 984 033

Form 0710001 p.2

Notes	Indicator	Line Code	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
	EQUITY AND LIABILITIES				
	III. CAPITAL AND RESERVES				
	Charter capital	1310	696 295	46 295	46 295
	Treasury Shares	1320	-	-	-
	Revaluation of non-current assets	1340	-	-	-
	Additional capital (without revaluation)	1350	-	-	-
	Reserve capital	1360	-	-	-
	Retained earnings (uncovered losses)	1370	990 975	787 460	543 683
	Total for Section III	1300	1 687 270	833 755	589 978
	IV. LONG-TERM LIABILITIES				
	Borrowings	1410	-	-	-
	Deferred tax liabilities	1420	-	-	-
	Provisions	1430	-	-	-
5.3	Other liabilities	1450	1 890	3 915	3 003
	Total for Section IV	1400	1 890	3 915	3 003
	V. SHORT-TERM LIABILITIES				
5.3	Borrowings	1510	674 197	-	-
	Including: Short-term loans	15101	650 000	-	-
	Interest on short-term loans	15102	24 197	-	-
5.3	Accounts payable	1520	7 541 245	7 327 035	6 275 190
	Including: Accounts payable - Suppliers and Contractors	15201	6 603 474	6 236 564	5 129 967
	Advances received	15202	25	11 627	-
	Accounts payable - Taxes	15203	2 112	37 958	96 113
	Accounts payable - Social security and insurance	15204	-	-	-
	Accounts payable - Wages and salaries	15205	6	-	4
	Settlements with accountable persons	15206	57	106	-
	Other settlements with personnel	15207	-	-	-
	Other payables and receivables	15208	-	-	-
	Accounts payable - Bonuses to customers	15209	935 571	1 040 780	1 049 106
	Deferred Income	1530	-	-	-
7	Provisions	1540	146 916	137 550	112 814
	Other liabilities	1550	3 943	2 938	3 048
	Total for Section V	1500	8 366 301	7 467 523	6 391 052
	BALANCE	1700	10 055 461	8 305 193	6 984 033

CEO ____________ **Khandelwal Prashant**
(signature) (name)

27 March 2017

Statement of Profit or Loss

For period January - December 2016

	Codes		
OKUD form	0710002		
Date (day, month, year)	31	12	2016
Organization **Limited Liability Company "Dr. Reddy's Laboratories"** under OKPO	14196751		
Taxpayer identification number TIN	7707321227		
Line of business **Wholesale of pharmaceutical goods** under OKVED	46.18		
Form of incorporation/ownership **Limited Liability Company / Private** under OKOPF/OKFS	65	23	
Unit of measurement: '000 RUB under OKEI	384		

Notes	Indicator	Line Code	For January-December 2016	For January-December 2015
3.3	Revenues	2110	14 635 585	13 777 219
3.3	Cost of sales	2120	(12 799 475)	(12 095 450)
	Gross profit (loss)	2100	1 836 110	1 681 769
3.4	Selling expenses	2210	(2 427 825)	(2 446 590)
	Administrative expenses	2220	-	-
	Profit (Loss) from sales	2200	(591 715)	(764 821)
	Income from participation in other organizations	2310	-	-
	Interest income	2320	2 300	3 122
	Interest expense	2330	(24 197)	(18)
3.5	Other income	2340	996 966	1 241 227
3.6	Other expenses	2350	(94 675)	(109 299)
	Pre-tax profit (Loss)	2300	288 679	370 211
	Current profit tax	2410	(62 542)	(132 992)
	Including permanent tax liabilities (assets)	2421	25 912	47 645
	Change in deferred tax liabilities	2430	-	-
3.7	Change in deferred tax assets	2450	(21 106)	11 305
	Miscellaneous	2460	(1 516)	(4 747)
	Net profit (loss)	2400	203 515	243 777

Form 0710002 p.2

Notes	Indicator	Line Code	For January-December 2016	For January-December 2015
	The result of revaluation of non-current assets not included in net profit (loss) for the period	2510	-	-
	The result of other transactions not included in net profit (loss) for the period	2520	-	-
	Comprehensive financial result for the period	2500	203 515	243 777
	For reference			
	Basic earnings (loss) per share	2900	-	-
	Diluted earnings (loss) per share	2910	-	-

CEO ____________ **Khandelwal Prashant**
(signature) (name)

27 March 2017

Statement of Changes in Equity
for period January - December 2016

	Codes		
OKUD form	0710003		
Date (day, month, year)	31	12	2016
Inder OKPO	14196751		
TIN	7707321227		
OKVED	46.18		
under OKOPF/OKFS	65	23	
по ОКЕИ	384		

Organization **Limited Liability Company "Dr. Reddy's Laboratories"**

Taxpayer identification number

Line of business **Wholesale of pharmaceutical goods**

Form of incorporation/form of ownership

Limited Liabilities Company / Private

Unit of measurement : '000 RUB

1. Movement of equity

Indicator	Line Code	Charter Capital	Treasury Shares	Additional Capital	Reserve Capital	Retained earnings (uncovered losses)	Total
Balance as at December 31, 2014	3100	46 295	-	-	-	543 683	589 978
For 2015 Increase in equity - total:	3210	-	-	-	-	243 777	243 777
Including: Net profit	3211	X	X	X	X	243 777	243 777
Revaluation of assets	3212	X	X	-	X	-	-
Income directly attributable to increase in equity	3213	X	X	-	X	-	-
Additional share issue	3214	-	-	-	X	X	-
Increase in the par value of shares	3215	-	-	-	X	-	X
Reorganization of the legal entity	3216	-	-	-	-	-	-

Form 0710023 p.2

Indicator	Line Code	Charter Capital	Treasury Shares	Additional Capital	Reserve Capital	Retained earnings (uncovered losses)	Total
Decrease in equity - total:	3220	-	-	-	-	-	-
Including: Loss	3221	X	X	X	X	-	-
Revaluation of assets	3222	X	X	-	X	-	-
Expenses directly attributed to decrease in equity	3223	X	X	-	X	-	-
Decrease in the par value of shares	3224	-	-	-	X	-	-
Reduction in the number of shares	3225	-	-	-	X	-	-
Reorganization of the legal entity	3226	-	-	-	-	-	-
Dividends	3227	X	X	X	X	-	-
Change in additional capital	3230	X	X	-	-	-	X
Change in reserve capital	3240	X	X	X	-	-	X
Balance as at December 31, 2015	3200	46 295	-	-	-	787 460	833 755
For 2016 Increase in equity - total:	3310	650 000	-	-	-	203 515	853 515
Including: Net profit	3311	X	X	X	X	203 515	203 515
Revaluation of assets	3312	X	X	-	X	-	-
Income directly attributable to increase in equity	3313	X	X	-	X	-	-
Additional share issue	3314	650 000	-	-	X	X	650 000
Increase in the par value of shares	3315	-	-	-	X	-	X
Reorganization of the legal entity	3316	-	-	-	-	-	-
Decrease in equity - total:	3320	-	-	-	-	-	-
Including: Loss	3321	X	X	X	X	-	-
Revaluation of assets	3322	X	X	-	X	-	-
Expenses directly attributed to decrease in equity	3323	X	X	-	X	-	-
Decrease in the par value of shares	3324	-	-	-	X	-	-
Reduction in the number of shares	3325	-	-	-	X	-	-
Reorganization of the legal entity	3326	-	-	-	-	-	-
Dividends	3327	X	X	X	X	-	-
Change in additional capital	3330	X	X	-	-	-	X
Change in reserve capital	3340	X	X	X	-	-	X
Balance as at December 31, 2016	3300	696 295	-	-	-	990 975	1 687 270

2. Adjustments due to changes in the accounting policy and correction of errors

Indicator	Line Code	As at 31 December 2014	Change in equity in 2015		As at 31 December 2015
			from net profits (losses)	from other factors	
Equity - total					
Pre-adjustment	3400	-	-	-	-
adjusted for:					
Changes in the accounting policy	3410	-	-	-	-
Correction of errors	3420	-	-	-	-
Post-adjustment	3500	-	-	-	-
Including:					
Retained earnings (uncovered losses):					
Pre-adjustment	3401	-	-	-	-
adjusted for:					
Changes in the accounting policy	3411	-	-	-	-
Correction of errors	3421	-	-	-	-
Post-adjustment	3501	-	-	-	-
Pre-adjustment	3402	-	-	-	-
adjusted for:					
Changes in the accounting policy	3412	-	-	-	-
Correction of errors	3422	-	-	-	-
Post-adjustment	3502	-	-	-	-

3. Net assets

Indicator	Line Code	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Net assets	3600	1 687 270	833 755	589 978

CEO ______________ Khandelwal Prashant
(signature) (name)

27 March 2017

Statement of cash flows

for period January - December 2016

	Codes		
OKUD form	0710004		
Date (day, month, year)	31	12	2016
under OKPO	14196751		
TIN	7707321227		
under OKVED	46.18		
under OKOPF/OKFS	65	23	
under OKEI	384		

Organization **Limited Liability Company "Dr. Reddy's Laboratories"**

Taxpayer identification number

Line of business **Wholesale of pharmaceutical goods**

Form of incorporation/ownership

Limited Liability Company / Private

Unit of measurement '000 RUB

Indicator	Line code	For January - December 2016	For January - December 2015
Cash flows from operating activities			
Cash receipts - total	4110	13 873 272	14 124 225
Including: From the sale of products, goods, work and services	4111	13 304 034	13 316 530
From the rental payments, license fees, royalty, commission and other similar payments	4112	-	-
From the resale of financial investments	4113	-	-
Bonuses from suppliers based on execution of contract	4114	569 167	804 845
Other receipts	4119	71	2 850
Cash payments - total	4120	(15 230 415)	(13 926 335)
Including: To suppliers (contractors) for goods, work and services	4121	(11 836 308)	(10 770 969)
Wages and salaries to employees	4122	(1 405 255)	(1 162 821)
Interest expenses	4123	-	(18)
Profit tax	4124	(159 793)	(107 089)
Other tax payments	4125	(268 137)	(338 458)
Bonuses to distributors	4126	(802 143)	(818 122)
Advances issued to employees	4127	(90 727)	(104 033)
Payments under agency contract	4128	(263 217)	-
Other payments	4129	(404 835)	(624 825)
Net cash flow from operating activities	4100	(1 357 143)	197 890
Cash flow from investing activities			
Cash receipts - total	4210	303	3 537
Including: From the sale of non-current assets (except for financial investments)	4211	303	2 890
From the sale of shares in other organizations	4212	-	-
From issued loan repayments, the sale of debt securities (monetary claims against other entities)	4213	-	-
Dividends, interest on debt financial investments and similar receipts from shareholding in other organizations	4214	-	647
	4215	-	-
Other receipts	4219	-	-
Cash payments - total	4220	(94 068)	(147 027)
Cash payments - total For the acquisition, construction, modernization, reconstruction and introduction of non-current assets	4221	(92 268)	(145 527)
For the acquisition of shares in other organizations	4222	-	-
For the acquisition of debt securities (monetary claims against other entities), issued loans to other entities	4223	(1 800)	(1 500)
Loan interest included in the cost of a investment asset	4224	-	-
	4225	-	-
Other payments	4229	-	-
Net cash flow from investing activities	4200	(93 765)	(143 490)

Indicator	Line code	For January - December 2016	For January - December 2015
Cash flows from financing activities Cash receipts - total	4310	1 300 000	15 000
Including: Loans and borrowings	4311	650 000	15 000
Owner (shareholder) monetary contributions	4312	650 000	-
From issuing shares, increasing the participation interest	4313	-	-
From issuing bonds, notes and other debt securities, etc.	4314	-	-
	4315	-	-
Other receipts	4319	-	-
Cash payments - total	4320	-	(15 000)
Including: To owners (shareholders) associated with their redemption of the entity's shares or cessation of membership	4321	-	-
Dividends and other profit distribution payments to owners (shareholders)	4322	-	-
Repayment of notes, bonds and other debt securities, loans and borrowings	4323	-	(15 000)
	4324	-	-
Other payments	4329	-	-
Net cash flow from the financing activities	4300	1 300 000	-
Net cash flow for the reporting period	4400	(150 908)	54 400
Cash and cash equivalents at the beginning of the reporting period	4450	173 108	118 830
Cash and cash equivalents at the end of the reporting period	4500	22 200	173 108
Impact of changes in the exchange rate of the foreign currency to the ruble	4490	-	(122)

CEO ____________ **Khandelwal Prashant**
(signature) (name)

27 March 2017

Notes to the balance sheet
and the statement of profit or loss ('000 RUB)

1. Intangible assets and expense on research and development work (R&D)
1.1. Availability and movement of intangible assets

Form 0710005 p.1

Indicator	Line code	Period	At the beginning of the year		Change for the period								At the end of year	
					Received	Disposals		Accrued amortisation	Impairment loss	Revaluation				
			Historical cost	Accumulated amortisation and impairment losses		Historical cost	Accumulated amortisation and impairment losses			Historical cost	Accumulated amortisation		Historical cost	Accumulated amortisation and impairment losses
Intangible assets - total	5100	for 2016	90 086	(29 860)	7 237	(6 923)	5 501	(17 269)	-	-	-		90 400	(41 628)
	5110	for 2015	70 580	(15 227)	20 580	(1 074)	275	(14 908)	-	-	-		90 086	(29 860)
including:	5101	for 2016	-	-	-	-	-	-	-	-	-		-	-
	5111	for 2015	-	-	-	-	-	-	-	-	-		-	-

1.2. Historical cost of intangible assets created by the organisation itself

Indicator	Line Code	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Total	5120	-	-	-
including:	5121	-	-	-

1.3. Fully amortised intangible assets

Indicator	Line Code	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Total	5130	-	-	-
including:	5131	-	-	-

1.4. Availability and movement of R&D results

Indicator	Line Code	Period	At the beginning of the year		Changes in the period				At the end of the year	
						Disposals				
			Historical cost	Share of cost written off to expenses	Received	Historical cost	Share of cost written off to expenses	Share of cost written off to expenses in the period	Historical cost	Share of cost written off to expenses
R&D - total	5140	for 2016	-	-	-	-	-	-	-	-
	5150	for 2015	-	-	-	-	-	-	-	-
including:	5141	for 2016	-	-	-	-	-	-	-	-
	5151	for 2015	-	-	-	-	-	-	-	-

1.5. Incomplete and undocumented R&D and incomplete transactions involving the acquisition of intangible assets

Indicator	Line Code	Period	At the beginning of the year	Changes for the period			At the end of the year
				Costs for the period	Write-off of costs as unsuccessful	Recognised as intangible assets or R&D	
Costs on incomplete R&D - total	5160	for 2016	-	-	-	-	-
	5170	for 2015	-	-	-	-	-
including:							
	5161	for 2016	-	-	-	-	-
	5171	for 2015	-	-	-	-	-
Incomplete transactions involving the acquisition of intangible assets - total	5180	for 2016	-	5 402	-	-	5 402
	5190	for 2015	-	-	-	-	-
including:							
exclusive rights for video commercial	5181	for 2016	-	5 402	-	-	5 402
	5191	for 2015	-	-	-	-	-

2. Fixed assets
2.1. Availability and movement of fixed assets

Indicator	Line Code	Period	At the beginning of the year		Changes for the period						At the end of the year	
						Items disposed			Revaluation			
			Historical cost	Accumulated depreciation	Received	Historical cost	Accumulated depreciation	Accrued depreciation	Historical cost	Accumulated depreciation	Historical cost	Accumulated depreciation
Fixed assets (exclusive of income-bearing investments in material assets) - total	5200	for 2016	150 220	(31 924)	72 230	(3 729)	2 129	(42 354)	-	-	218 721	(72 149)
	5210	for 2015	34 086	(20 687)	124 947	(8 813)	8 576	(19 813)	-	-	150 220	(31 924)
including: Plant and equipment	5201	for 2016	17 373	(10 531)	7 243	(1 841)	1 778	(3 285)	-	-	22 775	(12 038)
	5211	for 2015	15 367	(9 216)	2 466	(460)	441	(1 756)	-	-	17 373	(10 531)
Motor vehicles	5202	for 2016	122 401	(15 548)	64 731	(1 888)	351	(37 159)	-	-	185 244	(52 356)
	5212	for 2015	8 353	(7 492)	122 401	(8 353)	8 135	(16 191)	-	-	122 401	(15 548)
Furniture	5203	for 2016	10 446	(5 845)	256	-	-	(1 910)	-	-	10 702	(7 755)
	5213	for 2015	10 366	(3 979)	80	-	-	(1 866)	-	-	10 446	(5 845)
Included in income-bearing investments in material assets - total	5220	for 2016	-	-	-	-	-	-	-	-	-	-
	5230	for 2015	-	-	-	-	-	-	-	-	-	-
including:	5221	for 2016	-	-	-	-	-	-	-	-	-	-
	5231	for 2015	-	-	-	-	-	-	-	-	-	-

2.2. Capital investments in progress

Indicator	Line Code	Period	At the beginning of the year	Changes for the period			At the end of the year
				Costs for the period	Written off	Recognised as fixed assets or increased value	
Construction in progress and incomplete transactions involving the acquisition, modernization etc., of fixed assets - total	5240	for 2016	-	72 230	-	(72 230)	-
	5250	for 2015	-	124 947	-	(124 947)	-
including: Plant and equipment	5241	for 2016	-	7 243	-	(7 243)	-
	5251	for 2015	-	2 466	-	(2 466)	-
Motor vehicles	5242	for 2016	-	64 731	-	(64 731)	-
	5252	for 2015	-	122 401	-	(122 401)	-
Furniture	5243	for 2016	-	256	-	(256)	-
	5253	for 2015	-	80	-	(80)	-

2.3. Change in the cost of fixed assets as a result of additional construction and additional equipment, reconstruction and partial liquidation

Indicator	Line Code	for 2016	for 2015
Increase in the cost of fixed assets as a result of additional construction and additional equipment - total:	5260	-	-
including:	5261	-	-
Decrease in the cost of fixed assets as a result of partial liquidation - total:	5270	-	-
including:	5271	-	-

2.4. Other use of fixed assets

Indicator	Line Code	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Balance sheet fixed assets transferred under lease	5280	-	-	-
Off-balance sheet fixed assets transferred under lease	5281	-	-	-
Balance sheet fixed assets received under lease	5282	-	-	-
Off-balance sheet fixed assets received under lease	5283	25 043	40 832	64 939
Real estate properties commissioned and actual used currently undergoing state registration	5284	-	-	-
Fixed assets mothballed	5285	-	-	-
Other use of fixed assets (collateral, etc.)	5286	-	-	-
	5287	-	-	-

3. Financial investments

3.1. Availability and movement of financial investments

Indicator	Line Code	Period	At the beginning of the year		Changes in the period					At the end of the year	
						Disposed/Settled					
			Historical cost	Cumulative adjustment	Received	Historical cost	Cumulative adjustment	Accrued interest (including reduction of historical cost to par value)	Current fair market value (impairment loss)	At the end of year	Cumulative adjustment
Long-term - total	5301	for 2016	27 850	-	1 800	-	-	-	-	29 650	-
	5311	for 2015	-	-	27 850	-	-	-	-	27 850	-
Short-term - total	5305	for 2016	-	-	-	-	-	-	-	-	-
	5315	for 2015	26 350	-	-	(26 350)	-	-	-	-	-
Financial investments - total	5300	for 2016	27 850	-	1 800	-	-	-	-	29 650	-
	5310	for 2015	26 350	-	1 500		-	-	-	27 850	-

3.2. Other use of financial investments

Indicator	Line code	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Financial investments pledged - total	5320	-	-	-
including:	5321	-	-	-
Financial investments transferred to third parties (non-sale) - total	5325	-	-	-
including:	5326	-	-	-
Other use of financial investments	5329	-	-	-

4. Inventories

4.1. Availability and movement of inventories

Indicator	Line Code	Period	period		Changes in the period					At the end of the period	
						Disposals					
			Cost	Amount of impairment provisions	Receipts and costs	Cost	Impairment provisions	impairment losses	Inventory turnover between groups/categorie s	Costs	Amount of impairment provisions
Inventories - total	5400	for 2016	1 875 061	(20 586)	10 762 074	(10 483 193)	19 967	(55 302)	X	2 153 942	(55 921)
	5420	for 2015	1 201 601	(33 802)	10 683 936	(10 010 476)	13 216	-	X	1 875 061	(20 586)
including: Raw materials, supplies and other similar assets	5401	for 2016	-	-	-	-	-	-	-	-	-
	5421	for 2015	-	-	-	-	-	-	-	-	-
Final products	5402	for 2016	-	-	-	-	-	-	-	-	-
	5422	for 2015	-	-	-	-	-	-	-	-	-
Goods for resale	5403	for 2016	1 859 644	(20 586)	10 660 748	(10 391 679)	19 967	(55 302)	-	2 128 713	(55 921)
	5423	for 2015	1 185 336	(33 802)	10 608 838	(9 934 530)	13 216	-	-	1 859 644	(20 586)
Goods and final products dispatched	5404	for 2016	-	-	-	-	-	-	-	-	-
	5424	for 2015	-	-	-	-	-	-	-	-	-
Costs in the work in progress	5405	for 2016	-	-	-	-	-	-	-	-	-
	5425	for 2015	-	-	-	-	-	-	-	-	-
Other inventories and costs	5406	for 2016	15 417	-	101 326	(91 514)	-	-	-	25 229	-
	5426	for 2015	16 265	-	75 098	(75 946)	-	-	-	15 417	-
Deferred expenses (for the analytical accounting items, which are carried as Inventories at the Balance Sheet)	5407	for 2016	-	-	-	-	-	-	-	-	-
	5427	for 2015	-	-	-	-	-	-	-	-	-
	5408	for 2016	-	-	-	-	-	-	-	-	-
	5428	for 2015	-	-	-	-	-	-	-	-	-

4.2. Inventories Pledged

Indicator	Line Code	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Inventories not paid for as of the reporting date - total	5440	-	-	-
including:	5441	-	-	-
Inventories pledged under contract - total	5445	-	-	-
including:	5446	-	-	-

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5. Receivables and payables
5.1. Availability and movement of accounts receivable

Indicator	Line Code	Period	At the beginning of the year		Changes in the period								At the end of the year	
					Received		Disposals							
			Accounted for according to contract terms	Amount of doubtful debt provisions	From business operations (amount owed on the transaction/operation)	Interest, penalties and other charges payable	Settlement	Written off to the financial result	Replenishment of provisions	Converted from long-term to short-term receivables	Converted from receivables to payables	Converted from payables to receivables	Accounted for according to contract terms	Amount of doubtful debt provisions
Long-term receivables - total	5501	for 2016	-	-	-	-	-	-	-	-	-	-	-	-
	5521	for 2015	-	-	-	-	-	-	-	-	-	-	-	-
including: Due from customers	5502	for 2016	-	-	-	-	-	-	-	-	-	-	-	-
	5522	for 2015	-	-	-	-	-	-	-	-	-	-	-	-
Advances issued	5503	for 2016	-	-	-	-	-	-	-	-	-	-	-	-
	5523	for 2015	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	5504	for 2016	-	-	-	-	-	-	-	-	-	-	-	-
	5524	for 2015	-	-	-	-	-	-	-	-	-	-	-	-
	5505	for 2016	-	-	-	-	-	-	-	-	X	X	-	-
	5525	for 2015	-	-	-	-	-	-	-	-	X	X	-	-
Short-term receivables - total	5510	for 2016	5 837 323	(59 912)	7 483 755	-	(5 837 323)	-	-	-		-	7 483 755	(59 912)
	5530	for 2015	5 390 454	(63 588)	5 837 323	-	(5 390 454)	1 176	2 500	-	-	-	5 837 323	(59 912)
including: Due from customers	5511	for 2016	4 824 898	(59 912)	5 527 542	-	(4 824 898)	-	-	-	-	-	5 527 542	(59 912)
	5531	for 2015	4 672 379	(63 588)	4 824 898	-	(4 672 379)	1 176	2 500	-	-	-	4 824 898	(59 912)
Advances issued	5512	for 2016	87 023	-	109 752	-	(87 023)	-	-	-	-	-	109 752	-
	5532	for 2015	101 837	-	87 023	-	(101 837)	-	-	-	-	-	87 023	-
Other receivables	5513	for 2016	99 267	-	137 271	-	(99 267)	-	-	-	-	-	137 271	-
	5533	for 2015	114 697	-	99 267	-	(114 697)	-	-	-	-	-	99 267	-
Tax receivables	5514	for 2016	24 351	-	86 676	-	(24 351)	-	-	-	X	X	86 676	-
	5534	for 2015	18 527	-	24 351	-	(18 527)	-	-	-	X	X	24 351	-
Due from persons accountable	5515	for 2016	8 942	-	9 876	-	(8 942)	-	-	-	X	X	9 876	-
	5535	for 2015	8 480	-	8 942	-	(8 480)	-	-	-	X	X	8 942	-
Marketing services, bonuses and agency fee receivables	5516	for 2016	777 650	-	1 593 670	-	(777 650)	-	-	-	X	X	1 593 670	-
	5536	for 2015	399 435	-	777 650	-	(399 435)	-	-	-	X	X	777 650	-
other income (interest under loan agreements)	5517	for 2016	14 997	-	17 298	-	(14 997)	-	-	-	X	X	17 298	-
	5537	for 2015	12 522	-	14 997	-	(12 522)	-	-	-	X	X	14 997	-
Claims settlement	5518	for 2016	195	-	1 670	-	(195)	-	-	-	X	X	1 670	-
	5538	for 2015	62 577	-	195	-	(62 577)	-	-	-	X	X	195	-
Total	5500	for 2016	5 837 323	(59 912)	7 483 755	-	(5 837 323)	-	-	X	X	X	7 483 755	(59 912)
	5520	for 2015	5 390 454	(63 588)	5 837 323	-	(5 390 454)	1 176	2 500	X	X	X	5 837 323	(59 912)

5.2. Past-due accounts receivable

Indicator	Line code	As at 31 December 2016		As at 31 December 2015		As at 31 December 2014	
		Accounted for according to contract terms	Carrying amount	Accounted for according to contract terms	Carrying amount	Accounted for according to contract terms	Carrying amount
Total	5540	1 062 263	1 002 351	504 445	444 533	482 644	419 056
including: Due from customers	5541	1 062 263	1 002 351	504 445	444 533	482 644	419 056
Due from customers (with regard to advance payments, prepayments)	5542	-	-	-	-	-	-
Other receivables	5543	-	-	-	-	-	-
	5544	-	-	-	-	-	-

5.3. Availability and movement of accounts payable

Indicator	Line Code	Period	Opening balance	Changes for the period								Closing balance
				Received		Disposals						
				From business operations (amount owed on the transaction/operation)	Interest, penalties and other charges payable	Settlement	Written off to the financial result	Converted from long-term to short-term receivables	Converted from receivables to payables	Converted from payables to receivables		
Long-term payables - total	5551	for 2016	3 915	-	-	-	(135)	(1 890)	-	-		1 890
	5571	for 2015	3 003	912	-	-	-	-	-	-		3 915
including: Loans	5552	for 2016	-	-	-	-	-	-	-	-		-
	5572	for 2015	-	-	-	-	-	-	-	-		-
Borrowings	5553	for 2016	-	-	-	-	-	-	-	-		-
	5573	for 2015	-	-	-	-	-	-	-	-		-
Other payables	5554	for 2016	3 915	-	-	-	(135)	(1 890)	-	-		1 890
	5574	for 2015	3 003	912	-	-	-	-	-	-		3 915
	5555	for 2016	-	-	-	-	-	-	X	X		-
	5575	for 2015	-	-	-	-	-	-	X	X		-
Short-term payables - total	5560	for 2016	7 327 035	8 215 442	-	(7 327 035)	-	-	-	-		8 215 442
	5580	for 2015	6 275 190	7 327 035	-	(6 275 100)	-	-	-	-		7 327 035
including: Due to suppliers	5561	for 2016	6 236 564	6 603 474	-	(6 236 564)	-	-	-	-		6 603 474
	5581	for 2015	5 129 967	6 236 564	-	(5 129 967)	-	-	-	-		6 236 564
Advances received	5562	for 2016	11 627	25	-	(11 627)	-	-	-	-		25
	5582	for 2015	-	11 627	-	-	-	-	-	-		11 627
Tax payables	5563	for 2016	37 958	2 112	-	(37 958)	-	-	-	-		2 112
	5583	for 2015	96 113	37 958	-	(96 113)	-	-	-	-		37 958
Loans	5564	for 2016	-	674 197	-	-	-	-	-	-		674 197
	5584	for 2015	-	-	-	-	-	-	-	-		-
Borrowings	5565	for 2016	-	-	-	-	-	-	-	-		-
	5585	for 2015	-	-	-	-	-	-	-	-		-
Other payables	5566	for 2016	-	-	-	-	-	-	-	-		-
	5586	for 2015	-	-	-	-	-	-	-	-		-
Bonuses to customers	5567	for 2016	1 040 886	935 571	-	(1 040 886)	-	-	X	X		935 571
	5587	for 2015	1 049 110	1 040 886	-	(1 049 110)	-	-	X	X		1 040 886
Settlements with accountable persons	5568	for 2016	106	57	-	(106)	-	-	X	X		57
	5588	for 2015	-	106	-	-	-	-	X	X		106
Receivables - Wages and salaries	5569	for 2016	-	6	-	-	-	-	X	X		6
	5589	for 2015	-	-	-	-	-	-	X	X		-
Total	5550	for 2016	7 330 950	8 215 442	-	(7 327 035)	(135)	X	X	X		8 217 332
	5570	for 2015	6 278 193	7 327 947	-	(6 275 100)	-	X	X	X		7 330 950

5.4. Past-due accounts payable

Indicator	Line code	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Total	5590	-	-	-
including: Due to suppliers	5591	-	-	-
Due to customers	5592	-	-	-
	5593	-	-	-

6. Production costs

Indicator	Line Code	for 2016	for 2015
Material costs	5610	10 354 568	9 832 174
Payroll costs	5620	1 112 123	1 038 660
Social security contributions	5630	281 450	264 884
Depreciation	5640	59 622	34 713
Other costs	5650	3 419 537	3 371 609
Total	5660	15 227 300	14 542 040
Change in balances (growth [-]): work in progress, final products, etc.	5670	-	-
Change in balances (reduction [+]): work in progress, final products, etc.	5680	-	-
Total expenses on ordinary activities	5600	15 227 300	14 542 040

7. Provisions

Indicator	Line Code	Opening balance	Recognized	Restored	Written-off as excessive amount	Closing balance
Provisions - total	5700	137 550	697 394	(688 028)	-	146 916
including: Provision for bonuses to employees	5701	71 146	177 934	(173 146)	-	75 934
Provision for unused vacation	5702	40 989	514 082	(514 882)	-	40 189
Provisions for insurance contributions (unused vacations, premiums, bonus)	5703	25 415	5 378	-	-	30 793

8. Security for obligations

Indicator	Line Code	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Received - total	5800	-	-	-
including:	5801	-	-	-
Issued - total	5810	-	-	-
including:	5811	-	-	-

9. Government aid

Indicator		Line Code	for 2016		for 2015	
Budgetary funds received - total		5900	-		-	
including: for day-to-day expenses		5901	-		-	
for investment in non-current assets		5905	-		-	
			At the beginning of the year	Received during the year	Repaid during the year	At the end of the year
Budgetary loans - total	for 2016	5910	-	-	-	-
	for 2015	5920	-	-	-	-
including:	for 2016	5911	-	-	-	-
	for 2015	5921	-	-	-	-

CEO ______________________ Khandelwal Prashant
(signature) (name)

27 March 2017

LLC Dr. Reddy’s Laboratories
TIN 7707321227 KPP 770501001
Bld. 1, 20, Ovchinnikovskaya Street, Moscow, 115035
Tel.: +7 (495) 644-37-78, Fax: +7 (495) 664-37-79

EXPLANATORY NOTE

To the financial statements of LLC «Dr. Reddy’s Laboratories» for 2016

27 March 2017

This Explanatory note is an integral part of the annual financial statements of OOO Dr. Reddy’s Laboratories for the period from 1 January 2016 to 31 December 2016, prepared in accordance with the effective legislation of the Russian Federation.

1. GENERAL INFORMATION

LLC Dr. Reddy's Laboratories was registered in the Unified State Register of Legal Entities by Inspectorate No. 7 of the RF Ministry for Taxes and Duties for the Moscow Central Administrative District in 2003 (tax registration certificate 77 No. 002289158 dated 5 April 2003).

Corporate form of LLC Dr. Reddy’s Laboratories pursuant to the Classifier of Organizational and Legal Forms of Business Entities (OKOPF) – 65.

Form of property of LLC Dr. Reddy’s Laboratories pursuant to the property code according to the Classifier of Property Forms (OKFS) - 23.

LLC Dr. Reddy’s Laboratories is an enterprise with 100% foreign capital in the amount of RUB 696 294,65.

The participants of LLC Dr. Reddy’s Laboratories as at 31 December 2016 are:

- Dr. Reddy’s Laboratories SA, 99,99% share
- Dr. Reddy’s Laboratories International SA, 0,01% share.

Postal address of the organization: Bld. 1, Ovchinnikovskaya naberezhnaya, Moscow, 115035.

Legal address of the organization: Bld. 1, Ovchinnikovskaya naberezhnaya, Moscow, 115035.

The company’s core line of business is wholesale trade of specified types of goods or groups of goods, which are not included in other groups.

The financial statements are prepared by the Company based on the Russian accounting principles. Changes in the law did not significantly impact the Company’s financial position, cash flow or profit and losses that could require separate disclosure in the financial statements.

The average annual number of employees amounted to 821 in 2016 (in 2015: 831 employees).

The financial statements of LLC Dr. Reddy’s Laboratories include the indicators of the standalone division Petrovo-Dalneye Pharmaceutical Warehouse.

Executive and control bodies of the Company comprise:

- Chief executive officer Khandelwal Prashant.
- Chief accountant Elena Shugaeva.

The company's accounts are kept using specialized SAP and 1C (payroll accounting) accounting software. The data of the financial statements are presented in thousands of rubles.

2. SIGHIFICANT ACCOUTING POLICIES FOR 2016

When keeping its accounts, the organization was governed by Federal Law No. 402-FZ dated 06.12.2011 On Accounting, the Regulations on Accounting and Reporting in the Russian Federation, approved by Order No. 34n of the RF Ministry of Finance dated 29 July 1998, and other accounting regulations.

2.1 Intangible assets

The Company accounts for intangible assets in accordance with Accounting Regulations PBU 14/2007 Accounting for Intangible Assets, approved by Order No. 153n of the RF Ministry of Finance dated 27 December 2007.

Determination of the inventory item accounted within Intangible assets

The accounting unit for intangible assets is an inventory item. An inventory of intangible assets is recognized to be:

- the aggregate of rights arising from one patent, certificate, a contract on the alienation of an exclusive right to intellectual property or means of identification intended for the performance of certain independent functions;
- compound item including several protected intellectual property items.

Initial valuation of intangible assets

Intangible assets are booked to accounts at their actual (initial) value, as determined on the date when they are booked in the accounts.

In the financial statements intangible assets are shown at their historical cost, less amortization accrued over the entire time of their use.

Revaluation of Intangible assets

Homogeneous intangible assets are not revaluated.

Impairment of Intangible assets

Intangible assets are not tested for impairment.

Useful life of Intangible assets

Useful life is determined based on the period of rights on results of the intellectual activities and the period of control over asset.

If the period of rights duration is not determined then useful life is based on the period of asset usage during which the Company is going to receive economical benefits.

Useful life of intangible asset and the date of its putting into use are set in the order signed by the head of the Company.

Method of accruing amortization for Intangible assets

Amortization of intangible assets with a specific useful life is performed on a straight-line basis.

All the acquired computer software in respect of which the Company does not have exclusive rights is not posted to the accounts for intangible assets, but is instead booked at acquisition cost in deferred expenses, and subsequently charged to cost accounts over 12 months.

2.2 Property, plant and equipment

The Company accounts for fixed assets in accordance with Accounting Regulations PBU 6/01 Accounting for Fixed Assets, approved by Order No. 26n of the RF Ministry of Finance dated 30 March 2001, and the Methodological Guidelines on Accounting for Fixed Assets, approved by Order No. 91n of the RF Ministry of Finance dated 13 October 2003.

The method for accruing depreciation on fixed assets is the straight-line method.

The fixed assets are not reevaluated.

The useful service life of fixed assets is determined proceeding from the *Classification of Fixed Assets Included in Depreciation Groups* in accordance with Resolution No. 1 of the Russian Government dated 1 January 2002.

The useful lives of fixed assets (by main groups):

Name of the group of fixed assets	Useful life in months
Small computer equipment	36
Furniture (set)	60
Vehicles up to 3.5 l	48
Vehicles with more than 3.5 l	84

Determination of the limits on historical cost of Fixed asset accounted within inventory

The fixed assets consist of equipment, vehicles and other corresponding assets with a historical cost of over RUB 40,000 per unit and with a useful life of more than 12 months.

Assets that comply with the criteria for recording in the accounts as fixed assets, but worth no more than 40,000 rubles per unit, are booked in the accounts and the financial statements as inventories.

Determination of inventory item

The accounting unit for fixed assets is an individual fixed asset. The following is recognized as an individual fixed asset:

- item with all attachments and accessories;
- structurally separate standalone item intended for the performance of specific independent functions;
- standalone set of structurally connected items, representing a single whole and designated for the performance of specific work.

Recognition and initial measurement of fixed assets

Fixed assets are booked in the accounts at their historical cost.

As at 31 December 2016 the Company rented the following premises:

Asset	Area	Address	Lessor
Office	1448,4m2	Bld. 1, 20, Ovchinnikovskaya naberezhnaya Street, Moscow	OOO Gran Firm
Office	808m2	Bld. 2, 20, Ovchinnikovskaya naberezhnaya Street, Moscow	OOO Gran Firm
Office	486m2	Block B, Rigaland Business Center, near Mikhalkovo village, Krasnogorsky District, Moscow Region	Branch of the company OOO Milligrin Limited
Warehouse for the storage of pharmaceuticals	6000 europallet places	Bld. 3, Dachnaya Street, Davydkovo Village, Istrinsky District, Moscow Region	ZAO Santens Service
Warehouse for the storage of pharmaceuticals	352,8m2	160, Dmitroskovoye Village, Krasnogorsky District, Moscow Region	ZAO Santens Service

As lessors didn't present the estimated valuation of rented premises, that information isn't stated in the financial statement on the off-balance accounts of LLC Dr. Reddy's Laboratories.

Rent expenses in 2016 amounted to a total of RUB 177 926 thousand (in 2015 – RUB 186 632 thousand).

2.3 Inventories

The Company accounts for inventories in accordance with Accounting Regulations PBU 05/01 *Accounting for Inventories*, approved by Order No. 44n of the RF Ministry of Finance dated 9 June 2001, and the *Methodological Guidelines on Accounting for Inventories*, approved by Order No. 119n of the RF Ministry of Finance dated 28 December 2001.

The company apply initial cost as book prices for goods for resale, including:

- amounts paid under supply agreement;

- custom duties and fees.

The accounting department calculates the purchase cost of the goods (cost) on the basis of source documents in the electronic spreadsheet "Calculation of the cost of the received goods". Accounting for the goods is performed at the warehouse in batches.

The cost of goods is charged to the cost of sales at the actual cost of the unit within the batch.

The accounting treatment of transport-procurement expenses (TPE) is carried out through the immediate (direct) inclusion of the TPE in the actual cost of the goods/materials.

The Company annually considers whether it's necessary to create an inventory provision including provision for inventory liquidation, that was not sold due to expiry and being defective.

2.4 Provisions

The Company accounts for corresponding expenses in accordance with Accounting Regulations PBU 8/2010 *Provisions, Contingent Liabilities and Contingent Assets,* approved by Order No. 167n of the RF Ministry of Finance dated 13 December 2010.

The Company annually assesses the need to create the following provisions:

- provisions for expenses for annual bonus to employees for the reporting period;
- provisions for expenses relating to the payment of annual leave.

2.5 Assets and liabilities denominated in foreign currencies

The official exchange rate of the foreign currency to the ruble in effect on the transaction date was used when accounting for transactions performed in foreign currencies. Cash on the foreign currency accounts in banks, financial investments in short-term securities and funds in settlements, including issued and received loans, are presented in the financial statements in a foreign currency in amounts calculated using the official exchange rates that were in effect on 31 December 2016. The US dollar exchange rate amounted RUB 60,6569 per USD.

Exchange differences that arose during the year from transactions with foreign-currency assets and liabilities and also on their conversion as at the reporting date are posted to the financial statements as other income and expenses.

2.6 Charter capital

The charter capital is presented in the amount of the par value contributed by the founder of the Company. The amount of the charter capital coincides with the amount established in the Company Charter. On 20 October 2016 General meeting of the Company approved new edition of the Charter. Amount of charter capital was increased by RUB 650 000 000. The revised version of Charter was registered on 21 November 2016.

2.7 Deferred taxes

The Company accounts for deferred taxes in accordance with Accounting Regulations PBU 18/02 *Accounting for Settlements on Profits Tax*, approved by Order No. 114n of the RF Ministry of Finance dated 19 November 2002.

When preparing the financial statements, the amounts of the deferred tax assets and deferred tax liabilities are presented as a net amount in the balance sheet.

2.8 Revenue, other income

The Company accounts for revenues and other income in accordance with Accounting Regulations PBU 9/99 *Income of the Organization*, approved by Order No. 32n of the RF Ministry of Finance dated 6 May 1999.

The revenues from sales are determined using the accrual method on the date of the transfer of title to products, goods, the results of the performed work, provided services (for a consideration) on the basis of the settlement documents filed with buyers (customers).

2.9 Cost of goods sold, works, services, selling, administrative and other expenses

The Company accounts for expenses in accordance with Accounting Regulations PBU 10/99 Expenses of the Organization, approved by Order No. 33n of the RF Ministry of Finance dated 6 May 1999.

The cost of sales consists of tangible costs calculated as indicated in clause 2.3.

List of selling expenses:

- salary, including accruals to the pension fund, social insurance, medical fund, accident insurance fund;
- fixed assets depreciation;
- other payments and compensation to employees;
- cost of goods for resale;
- lease of premises and warehouse;
- financial discounts and bonuses to buyers;
- transportation expenses;
- advertising and promotion of goods;
- consulting and legal services

- business trip expenses;
- property and employee insurance;
- equipment and software maintenance;
- telecommunication;
- conferences, round table discussions
- representative expenses
- other expenses.

Other expenses:

- expenses on the write-off of accounts receivable;
- estimated provisions for doubtful debts;
- estimated provisions for the impairment of goods;
- exchange rate and sum differences;
- interest expenses;
- expenses on write-offs of goods as result of stock-takes;
- other expenses.

Recognition of selling expenses:

Selling expenses are recognized in full in the reporting year at the time of their recognition as expenses for ordinary activities.

The Company recognizes expenses by the main lines of business, with the exception of the cost of goods, within the composition of sales expenses, as all expenses, including the salary for management personnel, costs on office rental and other expenses, are allocated to the commercial activities of the Company.

The amounts for rendering of marketing services related to promotion of goods, consulting and marketing services in the form of marketing research under the contracts with Dr. Reddy's Laboratories Ltd India are included in commercial expenses in accounting, and presented as part of cost of goods sold in the financial statements, because revenue is defined as the amount of expenses, increased by the amount of premium.

2.10 Related parties

The Company discloses information on related parties in accordance with Accounting Regulations PBU 11/2008 *Information on Related Parties*, approved by Order No. 48n of the RF Ministry of Finance dated 29 April 2008.

2.11 Adjustments and other changes in accounting related to prior periods

There were no adjustments of material misstatements in 2016.

2.12 Amendments to accounting policy in 2016

In 2016 the Company made no amendments to accounting policy/

.

3. REVIEW OF FINANCIAL PERFORMANCE OF THE COMPANY

As at 31.12.2016 based on the information in the financial statements of LLC Dr. Reddy's Laboratories, there is the following situation. The currency of the balance sheet increased by RUB 1 750 268 thousand, including the following balance sheet items.

3.1 Assets

Non-current assets of the Company increased by RUB 2 919 thousand, mainly due to growth in property, plant and equipment (81 vehicles were acquired).

Depreciation for 2016 amounted to RUB 59 622 thousand.

As at 31.12.2016 amount of loan granted to LLC Dr. Reddy's laboratories was RUB 29 650 thousand.

Current assets increased by RUB 1 747 349 thousand, due to growth in inventories by RUB 243 408 thousand; due to increase in receivables by RUB 1 646 432 thousand: settlements with supplies and contractors increased by RUB 22 729 thousand; settlements with buyers increased by RUB 702 644 thousand; settlements with other debtors and creditors increased by RUB 856 466 thousand; cash and cash equivalents decreased by RUB 150 907 thousand as at 31 December 2016.

Top Largest debtors within the framework of core activities as at 31 December 2016:

RUB thousand

Company	As at 31.12.2016	As at 31.12.2015
LLC Avesta Pharmaceuticals	164 727	170 088
SIA INTERNATIONAL LTD	778 503	544 529
CJSC Firm Protek Implementation center	1 254 306	1 084 576
ROSTA CJSC	274 883	87 183
CJSC Shreya Corporational Moscow	51 067	51 067
JSC NPK Katren" Branch JSC NPK Katren	616 476	917 203
CJSC ProfitMed	71 146	140 326
JSC R-Farm	81 162	63 205
LLC FC PULSE	1 090 213	307 930
LLC Farmkomplekt	116 115	100 605
LLC Farmperspektiva	308 691	254 000
LLC Good Distribution Partnenrs	518 837	167 343
LLC Yarpharma Center	87 423	-
LLC Apteka-Holding Rus	-	751 094
Others	113 993	185 750
Allowance for bad debts	(59 912)	(59 913)
Total, line 12302	**5 467 630**	**4 764 986**

The reconciliation of the settlements is performed with the largest debtors on a quarterly basis.

As at 31.12.16 balances of cash amounted to RUB 22 200 thousand, including:

Citibank – RUB 22 006 thousand (ruble account); petty cash – RUB 194 thousand.

3.2 Liabilities

As at 31.12.16 the retained earnings were RUB 990 975 thousand.

As at 31.12.16 the long-term liabilities totaled RUB 1 890 thousand – it is the amount for education under MBA program, deducted from the salary of the employees who were participating in the program. That amount should be returned to an employee after finishing the program successfully and following 2 years of employment in LLC Dr. Reddy's Laboratories. Liabilities amounted to RUB 1 890 thousand was transferred to short-term payables.

As at 31.12.2016 borrowings amounted to RUB 674 197 thousand (RUB 650 000 thousand – principal amount, RUB 24 197 – interest). Maturity date for principal and interest is 28.02.2017, interest rate – 10,9% per annum.

Short-term payables increased by RUB 214 210 thousand, most of it consist of payables to the main suppliers – Dr. Reddy's laboratories LTD India and Switzerland for medicaments.

Provisions increased by RUB 9 366 thousand.

3.3 Revenue and cost of goods sold

RUB thousand

Revenue/cost of goods sold	**2016**	**2015**
Total revenue	**14 635 585**	**13 777 221**
Revenue from sales to distributors	12 092 882	11 423 412
Revenue from marketing services	2 542 703	2 353 809
Total Cost of goods sold	**(12 799 475)**	**(12 095 450)**
Cost of sales	(10 354 568)	(9 832 173)
Cost of marketing services	(2 444 907)	(2 263 277)

3.4 Cost of sales and selling expenses

RUB thousand

Item	**Cost of sales**		**Selling expenses**	
	2016	**2015**	**2016**	**2015**
Cost of goods	10 354 568	9 832 174	-	-
Payments to employees	983 269	912 155	123 552	105 931
Social payments	245 781	227 895	35 669	36 989
Distributors bonuses	-	-	1 350 684	1 311 006
Bonuses to pharmacy chains	-	-	-	146 193
Advertising expenses	-	-	503 698	477 558
Expenses on conferences, round table discussions	184 591	156 692	-	116
Motor vehicles lease	183 995	181 679	1 722	2 598
Office building lease	90 095	108 992	87 831	77 640
Expenses on organization of regional takings	69 071	58 984	131	36
Business trip expenses	116 128	115 881	2 309	1 929
Marketing services in drugstore chains	-	-	135 336	117 050
Expenses under civil contracts	-	-	67 004	75 191
Advertisement materials	83 540	53 206	5 119	1 286
Fuel expenses	48 765	45 592	1 924	1 369
Education and training expenses	16 278	21 213	1 749	406
Other	423 394	380 987	111 097	91 292
Total	**12 799 475**	**12 095 450**	**2 427 825**	**2 446 590**

3.5 Other income (line 2340)

RUB thousand

Type of income	2016	2015
Proceeds from disposal of PPE	309	2 890
Fee for the distribution of products (Novatris)		37 557
Bonus form Dr. Reddy's Laboratories (India, Switzerland)	972 113	1 118 653
Agent's commission under the contract with Dr. Reddy's Laboratories (India)	10 970	
Reversal of Allowance for bad debts		2 500
Reversal of allowance for impairment	7 461	13 415
Other income	6 113	66 212
Total, line 2340	**996 966**	**1 241 227**

3.6 Other expenses

RUB thousand

Type of expenses	2016	2015
Bank services	6 853	5 960
Write-off of goods	20 891	80 811
Allowance for impairment	42 797	199
Expenses related to realization of PPE and other assets	7 916	1 132
Other expenses	8 493	1 726
Non-deductible expenses	7 725	19 471
Total, line 2350	**94 675**	**109 299**

3.7 Taxes

For 2016 taxable income amounted to RUB 316 987 thousand, in comparison with 2015 year it decreased by RUB 347 971 thousand. For 2016 profit before tax amounted to RUB 288 679 thousand. Profit tax amounted to RUB 62 542 thousand.

The difference between the accounting and tax account was formed as a result of temporary and permanent differences. Permanent differences include: expenses of exceeding the cost of sales of goods over their selling price to RUB 42 797 thousand, expenses on medical insurance of relatives amounted to RUB 24 696 thousand, other expenses not deducting taxable profit RUB 62 607 thousand.

Temporary differences include:

RUB thousand

Item	As at 31.12.2016		As at 31.12.2015	
	Tax base	DTA	Tax base	DTA
Bonuses to distributers payables	935 571	187 114	1 040 780	208 156
Payables to suppliers	206 160	41 232	209 115	41 823
Provision for bonuses and vacations for employees	146 173	29 235	137 550	27 510
Provision for inventories	13 669	2 734	20 585	4 117
Loss from sales of PPE	66	13		
Other	860	172		
Total deferred tax assets	**1 302 499**	**260 500**	**1 408 030**	**281 606**

RUB thousand

	2016	2015
Accounting earnings/losses	288 679	370 211
Notional earnings/losses on income tax	57 736	74 042
Temporary differences (20%)	(21 106)	11 305
Permanent differences (20%)	25 912	47 645
Income tax	62 542	132 992

3.8. Information on costs for energy use

The Company in accordance to FL 261.22.5 reports that there is no information about expenses on energy use, as these expenses are included in the cost of the rent.

3.9. Other explanations

Line 4129 of the Statement of cash flow for 2016 and 2015 sums up customs duties and fees (2016 – RUB 395 070 thousand, 2015 – RUB 522 527 thousand), state fees and other payments.

Line 4129 of the Statement of cash flow for 2015 included the amount of the netted VAT - RUB 182 440 thousand. In 2016 the above-mentioned sum is presented on a line 4125 Other taxes and duties of the Statement of cash flow.

In 2016 offsetting of accounts payable to distributors and accounts receivable from distributors at the total amount of RUB 657 020 thousand has been made.

4. RELATED PARTIES TRANSACTIONS

The participants of LLC Dr. Reddy’s Laboratories as at 31 December 2016 are:

- Dr. Reddy’s Laboratories SA, 99,99% share.
- Dr. Reddy’s Laboratories International SA, 0,01% share.

In 2016 there was additional contribution to charter capital:

- Dr. Reddy’s Laboratories SA- RUB 649 935 thousand.
- Dr. Reddy’s Laboratories International SA - RUB 65 thousand.

Full list of related parties is presented in *drreddys.com.*

4.1 Related party transaction in 2016

RUB thousand

	Companies	
NATURE OF RELATIONS	**Parent Company**	**Overall control**

Type of transaction	Dr. Reddy’s Laboratories Ltd. India	Dr. Reddy’s Laboratories Switzerland
Acquisition of goods	9 469 578 (2015: 9 012 301)	749 221 (2015: 627 101)
Goods receipt for specification	37	
Received bonuses from the supplier	548 009 (2015: 645 624)	21 157 (2015: 158 920)
Payment for the goods	9 430 418 (2015: 7 985 894)	356 789 (2015: 491 172)
Confirmed credit notes	92 (2015: 1 304 907)	43 (2015: 62 281)
Accrued bonuses from the supplier for the period	919 568 (2015: 1 017 156)	52 507 (2015: 101 456)
Income from marketing services	2 542 702 (2015: 2 333 328)	-
Payment for marketing services	2 475 626 (2015: 2 167 947)	-
Income from agency contract	12 944	-
Reimbursement of expenses under agency contract (bonuses to pharmacy chains)	333 091	-

4.2 Uncompleted related party transactions as at 01.01.2016 and 31.12.2016

RUB thousand

	Companies	
NATURE OF RELATIONS	**Parent Company**	**Overall control**
Type of transactions	Dr. Reddy’s Laboratories Ltd. India	Dr. Reddy’s Laboratories Switzerland
As at 01.01.2016		
Accounts payable	(5 550 821)	(409 710)
Accounts receivable (presented in Line 12308 of the Balance sheet)	777 650	-
As at 31.12.2016		
Accounts payable	(5 590 018)	(802 098)
Accounts receivable (presented in Line 12308 of the Balance sheet), *Including*	1 562 320	31 350
Marketing services	473 494	
Bonuses	742 791	31 350
Agency contract	346 035	

As at 31 December 2016 the amount of the loan granted to LLC DRS amounted to RUB 29 650 thousand. Maturity date is 14 February 2017. (type relationships – overall control).

4.3 Remuneration paid to key management personnel (CEO):

Type of remuneration	**RUB thousand**	**RUB thousand**

Current compensation payable during the reporting period and within 12 months of the reporting date	2016	2015
Salary for the reporting period	18 691	16 122
Payroll taxes and other mandatory payments to the relevant budgets and extra-budgetary funds accrued during the reporting period	3 146	3 392
Annual paid vacation for work during the reporting period	1 182	562

5. GENERAL BUSINESS RISKS

The main business risks of the Company are financial risks: credit risk, liquidity risk and market risk.

Financial risk management

Credit risk

Credit risk is the risk that financial losses caused by nonfulfillment of contract obligations by buyers or counterparties may appear in the Company. The risk is mostly connected with receivables of the Company.

Trade and other receivables

Susceptibility of the Company to the credit risk mostly depends on individual characteristics of each buyer/client. However, the governors also take into consideration the risk of default, inherent in specific field in which the debtors operate, as those factors may influence the level of credit risk, especially considering worsening conditions of current market situation. There is no concentration of credit risk in sales to sole buyer and in territorial criterion.

The management developed the credit policy comprising the separate analysis of every new client's solvency.

As at 31.12.2016 the Company has accounts receivable from customers amounted to RUB 5 527 542 thousand, including past due receivables RUB 1 062 264 thousand.

As at 31 December 2016, the Company created the provision amounted to RUB 59 912 thousand for impairment of trade and other receivables which represents estimated evaluation of suffered damages.

The Company took actions to resolve the issue with arisen debt, including signing payment schedule, debt repayment occurs according to payment schedule. The management of the Company assessed risks of repayment of past due debt taking into account compliance with commitments and general positive dynamics and made a decision not to create provision for residual part of past due receivables, non-covered by provision, amounted to RUB 1 002 351 thousand.

Liquidity risk

Liquidity risk is the risk that the Company may experience difficulties in fulfilling financial obligations which are settled with transferring of cash or other financial assets. The Company's approach to liquidity management includes providing as far as possible the availability of liquid assets that are enough to discharge its own liabilities in time under either usual or tense circumstances without letting the inappropriate losses arise and without compromising the Company's reputation.

The information about payables as at 31 December 2016 is disclosed in item 3.2.

Currency risk

Since 2011, Company has started concluding the contracts in rubles in order to manage the currency risks.

Transfer pricing risk

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

Currently there is lack of practice of applying the transfer pricing rules by the tax authorities and courts, however, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny, and if tax authorities will take the positions that differs from Company’s position, these scrutiny may lead to the risks of additional charge of tax liabilities related to current period operations.

These transfer pricing rules provide for an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe the basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level. Management of the Company prepares required documentation related to transfer pricing of controlling deals on a timely basis and determine new principles and mechanisms for accrual of additional taxes and interests, if prices of controlling deals differ from current market prices.

6. EVENTS SUBSEQUENT TO THE REPORTING DATE

The Company accounts for events after the balance-sheet date and discloses information on them in the financial statements in accordance with Accounting Regulations PBU 7/98 *Events after the Balance-Sheet Date*, approved by RF Ministry of Finance Order No. 56n dated 25 November 1998.

On the 28 February 2017 loan amounted to RUB 650 000 000 and interest were repaid.

On the 28.02.2017 a loan from Citibank amounted to RUB 650 000 000 was received, maturity date – 28.07.2017 (interest rate – 10,48% per annum).

On the 09.03.2017 a loan from Citibank amounted to RUB 650 000 000 was received, maturity date – 11.09.2017 (interest rate – 10,48% per annum).

Chief Executive Officer

LLC Dr Reddy’s Laboratories

Khandelwal Prashant

Independent Auditors' Report

To the Members of **OOO DRS LLC Limited**

We have audited the accompanying financial statements of **OOO DRS LLC Limited**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

OOO DRS LLC Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	205,982	206,091	206,232
Capital work in progress		6,815	6,815	6,815
Total non current assets		**212,797**	**212,906**	**213,047**
Current assets				
Financial assets				
Cash and cash equivalents	2.2	626	107	74
Loans	2.3	11,713	10,044	10,892
Other current assets	2.4	161	139	150
Total current assets		**12,500**	**10,290**	**11,116**
Total assets		**225,297**	**223,196**	**224,163**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.5	29,520	29,520	29,520
Other equity	2.5			
Share premium		122,532	122,532	122,532
Retained earnings		(33,945)	(16,407)	(18,422)
Total equity		**118,107**	**135,645**	**133,630**
Non current liabilities				
Financial Liabilities				
Borrowings	2.6	77,900	62,772	63,530
		77,900	**62,772**	**63,530**
Current liabilities				
Financial Liabilities				
Other current financial liabilities	2.7	28,630	24,546	26,748
Other current liabilities	2.8	660	233	255
Total Liabilities		**29,290**	**24,779**	**27,003**
Total equity and liabilities		**225,297**	**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 and on behalf of the Board of Directors of **OOO DRS LLC Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Anna Kuzmina
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Other Income			
Foreign exchange gain,net			6,661
Total Income		**-**	**6,661**
Expenses			
Finance costs	2.9	2,293	2,715
Depreciation expense	2.10	109	141
Other expenses	2.11	15,137	1,790
Total expense		**17,539**	**4,646**
(Loss)/Profit before tax		**(17,539)**	**2,015**
Income tax expense		-	-
(Loss)/Profit for the year		**(17,539)**	**2,015**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OOO DRS LLC Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Anna Kuzmina
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
(Loss)/Profit before taxation	(17,539)	2,015
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation expense	109	141
Finance costs	2,293	2,715
Net foreign exchange differences	13,172	(6,719)
Operating cash flows before working capital changes	**(1,965)**	**(1,848)**
Working capital adjustments:		
Increase in other assets & liabilities,net	364	(52)
	(1,601)	**(1,900)**
Income tax paid	-	-
Net cash flows from operating activities	**(1,601)**	**(1,900)**
Net cash flows used in investing activities	-	-
Net cash flows from/ (used in) financing activities		
Proceeds from long term borrowings,net	2,068	1,942
	2,068	**1,942**
Net increase / (decrease) in cash and cash equivalents	467	42
Cash and cash equivalents at the beginning of the year	107	74
Effect of foreign exchange loss on cash and cash equivalents	52	(9)
Cash and cash equivalents at the end of the year	**626**	**107**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	626	107
Cash and bank balances at the end of the year	**626**	**107**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **OOO DRS LLC Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Anna Kuzmina
Director

Place: Hyderabad
Date: 9 May 2017

OOO DRS LLC Limited

Statement of Changes in Equity

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

2.5 Total equity

Particulars	Share Capital		Reserves and Surplus		Total Equity
	Shares	Amount	Retained Earnings	Share Premium	
Balance as of 1 April 2015	**-**	**29,520**	**(18,422)**	**122,532**	**133,630**
Shares issued during the year	-	-	-	-	-
Profit for the period	-	-	2,015	-	2,015
Balance as of 31 March 2016	**-**	**29,520**	**(16,407)**	**122,532**	**135,645**
Loss for the period	-	-	(17,539)	-	(17,539)
Balance as of 31 March 2017		**29,520**	**(33,945)**	**122,532**	**118,107**

As per our report of even date attached

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

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

for and on behalf of the Board of Directors of OOO DRS LLC

Anna Kuzmina
Director

OOO DRS LLC Limited

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP

and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

OOO DRS LLC Limited

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions

The company has the following amounts due from/to related parties :

Particulars	As at 31 March 2017	As at 31 March 2016
Interest paid/payable to holding company and other group companies:		
OOO Dr. Reddys's Laboratories Limited	2,293	2,715

Particulars	As at 31 March 2017	As at 31 March 2016
Due to holding company and other group companies(included in non current borrowings):		
OOO Dr. Reddys's Laboratories Limited	55,212	43,321
Reddy Antilles N.V.	22,688	19,451

1.3 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.4 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.6 The company, incorporated under the laws of Russia, is a 100% subsidiary of Eurobridge consulting B.V.

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)

2.1 : Property,plant and equipment

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2016	Additions	Disposals	As at 31.03.2017	As at 01.04.2016	For the year	Disposals	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Land	205,449	-	-	205,449	-	-	-	-	205,449	205,449
Building	3,822	-	-	3,822	3,180	109	-	3,289	533	642
Total Tangible Assets	**209,271**	**-**	**-**	**209,271**	**3,180**	**109**	**-**	**3,289**	**205,982**	**206,091**

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2015	Additions	Disposals	As at 31.03.2016	As at 01.04.2015	For the year	Disposals	As at 31.03.2016	As at 31.03.2016	As at 01.04.2015
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**

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

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Cash and cash equivalents			
Balances with banks:			
- On current accounts (a)	626	107	74
Cash and cash equivalents	**626**	**107**	**74**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Loans and Advances			
Other advances	11,713	10,044	10,892
	11,713	**10,044**	**10,892**

Non Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Other assets			
Current assets			
Balances with Statutory Agencies	161	139	150
	161	**139**	**150**

Note 2: Notes to the consolidated financial statements

2.5 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
RUB 18,420,000 (previous year : RUB 18,420,000)*	29,520	29,520	29,520
Issued equity capital			
RUB 18,420,000 (previous year : RUB 18,420,000)*	29,520	29,520	29,520
Subscribed and fully paid-up			
RUB 18,420,000 (previous year : RUB 18,420,000)*	29,520	29,520	29,520
	29,520	**29,520**	**29,520**

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

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

Particulars	As at 31 March 2016		As at 31 March 2015		As at 1 April 2015	
	Amount in RUB ('000)	% of equity shares	Amount in RUB ('000)	% of equity shares	Amount in RUB ('000)	% of equity shares
Eurobridge Consulting B.V.	18,420	100%	18,420	100%	18,420	100%

2.6 : Borrowings

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
From other parties			
Long term borrowings from holding company and other group companies	77,900	62,772	63,530
	77,900	**62,772**	**63,530**

FINANCIAL LIABILITIES

2.7 : Other financial liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Other current financial liabilities			
Other current liabilities	28,630	24,546	26,748
Total other financial liabilities	**28,630**	**24,546**	**26,748**

NON FINANCIAL LIABILITIES

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.8 : Other Current Liabilities			
Sales tax payable	660	233	255
	660	**233**	**255**

2.9 : Finance costs

	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest on long term borrowings	2,293	2,715
	2,293	**2,715**

2.10 : Depreciation and amortisation expense

	For the year ended 31 March 2017	For the year ended 31 March 2016
Depreciation of tangible assets	109	141
	109	**141**

2.11 : Other expenses

	For the year ended 31 March 2017	For the year ended 31 March 2016
Foreign exchange loss,net	13,143	-
Legal and professional	781	640
Rates and taxes	1,211	1,149
Other general expenses	2	1
	15,137	**1,790**

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Independent Auditors' Report

The Board of Directors
Dr. Reddy's Laboratories Limited

We have audited the accompanying statements of financial position of Promius Pharma LLC as of March 31, 2017 and 2016 and the related income statements, statements of comprehensive income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Promius Pharma LLC as of March 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

As discussed in Note 2 to the financial statements, the Company has changed its basis of accounting to IFRS during the year ended March 31, 2017. Consequently, the Company's financial statements for 2016 referred to above have been restated to conform to IFRS. Prior to adoption of IFRS, the Company prepared financial statements in accordance with accounting principles generally accepted in the India ("Indian GAAP").

Indian GAAP varies in certain significant respects from IFRS. Information relating to the nature and effect of such differences are presented in Note 2 to the financial statements.

KPMG

Hyderabad, India

May 12, 2017

PROMIUS PHARMA LLC

Financial Statements

March 31, 2017 and March 31, 2016

Promius Pharma LLC.

Financial Statements

March 31, 2017 and March 31, 2016

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PROMIUS PHARMA LLC.
STATEMENT OF FINANCIAL POSITION
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	Note	As of March 31, 2017	As of March 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents	10	87,726	65,647
Trade and other receivables	8	9,077,991	1,743,023
Inventories	7	494,756	399,153
Current tax assets		37,138	36,713
Other current assets	9	37,823,921	29,112,226
Total current assets		**47,521,532**	**31,356,762**
Non-current assets			
Property, plant and equipment	5	3,343	2,470
Other intangible assets	6	10,827,296	17,030,715
Deferred tax assets	20	5,913,474	-
Other non-current assets	9	1,907,089	1,165,429
Total non-current assets		**18,651,202**	**18,198,614**
Total assets		**66,172,734**	**49,555,376**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	11,552,522	2,644,255
Loans and borrowings	19	169,701,922	118,752,138
Provisions	12	5,518,777	4,397,156
Other current liabilities	14	8,605,563	13,597,755
Total current liabilities		**195,378,784**	**139,391,304**
Non-current liabilities			
Deferred tax liabilities	20	-	12,223,641
Other non-current liabilities	14	450,902	1,259,767
Total non-current liabilities		**450,902**	**13,483,408**
Total liabilities		**195,829,686**	**152,874,712**
Equity			
Share capital	11	38,760,000	38,760,000
Retained earnings		(169,014,921)	(142,640,938)
Other components of equity		597,969	561,602
Total equity		**(129,656,952)**	**(103,319,336)**
Total liabilities and equity		**66,172,734**	**49,555,376**

The accompanying notes form an integral part of these financial statements.

PROMIUS PHARMA LLC
INCOME STATEMENT
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	Note	For the year ended March 31, 2017	For the year ended March 31, 2016
Revenue	15	24,800,035	19,688,804
Cost of revenue		4,449,930	3,398,473
Gross profit		**20,350,105**	**16,290,331**
Selling, general and administrative expenses		57,525,106	31,603,830
Research and development expenses		14,178,904	24,306,838
Other (income)/expense, net	16	(3,591,588)	15,000
Total operating expenses		**68,112,422**	**55,925,668**
Results from operating activities		**(47,762,317)**	**(39,635,337)**
Finance expense	17	396,839	299,204
Loss before tax		**(48,159,156)**	**(39,934,541)**
Income tax benefit	20	(21,785,172)	(11,299,331)
Loss for the year		**(26,373,984)**	**(28,635,210)**

The accompanying notes form an integral part of these financial statements.

PROMIUS PHARMA LLC

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	For the year ended March 31, 2017	For the year ended March 31, 2016
Loss for the year	**(26,373,984)**	**(28,635,210)**
Other comprehensive loss		
Items that will not be reclassified to profit or loss:	-	-
Total items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Total items that may be reclassified subsequently to profit or Loss	-	-
Other comprehensive loss for the year, net of tax	**(26,373,984)**	**(28,635,210)**
Total comprehensive loss for the year	**(26,373,984)**	**(28,635,210)**

The accompanying notes form an integral part of these financial statements.

PROMIUS PHARMA LLC
STATEMENT OF CHANGES IN EQUITY
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	Share Capital	Share based payment reserve	Retained earnings	Total
Balance as of April 01, 2015 (A)	**38,760,000**	**496,423**	**(114,005,728)**	**(74,749,305)**
Total Comprehensive income	**-**	**-**	**-**	**-**
Loss for the period	-	-	(28,635,210)	(28,635,210)
Total Comprehensive income (B)	**38,760,000**	**496,423**	**(28,635,210)**	**(28,635,210)**
Transactions with owners of the company	**-**	**-**	**-**	**-**
Contributions and distributions	**-**	**-**	**-**	**-**
Share based payment expense	-	65,179	-	65,179
Total contributions and distributions	**-**	**65,179**	**-**	**65,179**
Total transactions with owners of the Company (C)	**-**	**-**	**-**	**-**
Balance as of March 31, 2016 [(A)+(B)+(C)]	**3,876,0000**	**561,602**	**(142,640,938)**	**(103,319,336)**
Balance as of April 01, 2016 (A)	**3,876,0000**	**561,602**	**(142,640,938)**	**(103,319,336)**
Total Comprehensive income				
Loss for the period	-	-	(26,373,984)	(26,373,984)
Total Comprehensive income (B)	**-**	**-**	**(26,373,984)**	**(26,373,984)**
Transactions with owners of the company				
Contributions and distributions				
Share based payment expense	-	36,368	-	36,368
Total contributions and distributions	**-**	**36,368**	**-**	**36,368**
Total transactions with owners of the Company (C)	**-**	**-**	**-**	**-**
Balance as of March 31, 2017 [(A)+(B)+(C)]	**38,760,000**	**597,970**	**(169,014,922)**	**(129,656,952)**

PROMIUS PHARMA LLC
STATEMENT OF CASH FLOWS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	For the year ended	
	March 31, 2017	**March 31, 2016**
Cash flows used in operating activities:		
Loss for the year	(26,373,984)	(28,635,210)
Adjustments for:		
Income tax benefit	(21,785,172)	(11,299,331)
Depreciation and amortization	6,203,773	5,357,950
Impairment loss on other intangible assets	400,000	1,500,000
Inventory write-downs	2,014,630	-
Allowances for sale returns	5,077,365	3,337,888
Interest expense	362,929	281,269
Share based payment expense	36,368	65,179
Changes in operating assets and liabilities:		
Trade receivables	(7,334,968)	428,842
Inventories	(2,110,232)	367,961
Trade payables	9,919,435	831,406
Other assets and liabilities	35,024,330	7,156,849
Net cash used in operating activities	**1,434,474**	**(20,607,197)**
Cash flows used in investing activities:		
Expenditure on property, plant and equipment	(1,012,395)	(2,070)
Expenditure on other intangible assets	(400,000)	-
Net cash used in investing activities	**(1,412,395)**	**(2,070)**
Cash flows from financing activities:		
Proceeds from loans from parent company, net	-	20,307,763
Net cash from financing activities	**-**	**20,307,763**
Net increase/(decrease) in cash and cash equivalents	22,079	(301,504)
Cash and cash equivalents at the beginning of the year	65,647	367,151
Cash and cash equivalents at the end of the year	**87,726**	**65,647**

1. Reporting entity

Promius Pharma LLC is the subsidiary of Dr. Reddys Laboratories Inc. focusing on U.S. Specialty Business, which is engaged in the development and sales of branded specialty products in the therapeutic areas of dermatology and neurology.

The Comapany has a portfolio of in-licensed patented dermatology and neurology products. It also has an internal pipeline of dermatology products that are in different stages of development. Company's current portfolio contains innovative products for the treatment of seborrheic dermatitis, acne and steroid responsive dermatoses, migraine. It has commercialized six products: Scytera™, which is foam for the treatment of psoriasis; Promiseb™, which is a cream for the treatment for seborrheic dermatitis; ClodermR (clocortolone pivalate 0.1%), which is a cream used for treating dermatological inflammation, TrianexR, which is a cream for the treatment of the inflammatory and pruritic manifestations of corticosteroid responsive dermatoses, Zembrace, which is neurology product used for patients suffering from acute episodes of migraine and Sernivo which is used to treat mild to moderate plaque psoriasis.

2. Basis of preparation of financial statements

a. Statement of compliance

These financial statements as at and for the year ended March 31, 2017 have been prepared in accordance with the International Financial Reporting Standards and its interpretations ("IFRS") issued by the International Accounting Standards Board ("IASB"). These are the Company's first IFRS financial statements and IFRS 1, "First-time adoption of International Financial Reporting Standards," has been applied. The transition was carried out from the accounting principles generally accepted in India ("Indian GAAP", referred to herein as "Previous GAAP"), which is considered as the Company's previous GAAP, as defined in IFRS 1.

An explanation of how the transition to IFRS has affected the Company's equity and profit is provided below.

These financial statements have been prepared on the basis of relevant IFRS that are effective or available for early adoption at the Company's first IFRS annual reporting date, March 31, 2017.

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing the opening IFRS equity balance at April 1, 2015 for the purposes of the transition to IFRS, as required by IFRS 1.

Explanation of transition to IFRS reporting

As stated in Note 2(A), the Company's financial statements for the year ended March 31, 2017 are the first annual financial statements prepared by the Company to comply with IFRS. The adoption of IFRS was carried out in accordance with IFRS 1, using April 1, 2015 as the transition date. The transition was carried out from Indian GAAP, which was considered the Previous GAAP under IFRS. The effect of adopting IFRS has been summarized in the reconciliations provided below.

In preparing these financial statements, the Company has availed itself of certain exemptions and exceptions in accordance with IFRS 1.

2. Basis of preparation of financial statements (continued)

a. Statement of compliance (continued)

A. Exemptions from retrospective application

The following are the exemptions which the Company has opted to apply/not to apply:

i. Fair value as deemed cost exemption: The Company has not elected to measure any item of property, plant and equipment at its fair value at the Transition Date; property, plant and equipment have been measured at cost in accordance with IFRS.

ii. Compound financial instruments: The Company did not have any compound financial instrument as of the Transition Date.

iii. Share-based payment transaction exemption: Under Previous GAAP, the Company had applied the intrinsic value recognition and measurement principles for all options granted before the Transition Date. Consequently, the Company has elected to apply the exemption as provided in IFRS 1 for all the options granted after November 7, 2002 and are not yet vested as on the Transition date.

iv. Fair value measurement of financial assets or liabilities at initial recognition: The Company has not applied the amendment offered by the revision of IAS 39, "Financial Instruments: Recognition and Measurement", upon the initial recognition of the financial instruments measured at fair value through profit or loss where there is no active market.

v. Designation of financial assets and financial liabilities exemption: The Company did not have any financial assets or liabilities as of the Transition Date which were required to be designated, and which met the required criteria given in IFRS 1, as a financial asset or financial liability at fair value through profit or loss.

vi. Changes in decommissioning liabilities included in the cost of property, plant and equipment exemption: The Company does not have any material decommissioning, restoration or similar liabilities in the cost of property, plant and equipment. Consequently, this exception is not applicable to the Company.

vii. Leases exemption: The Company does not have any arrangements containing a lease as defined under IFRIC 4, "Determining whether an arrangement contains a lease". Consequently, this exemption is not applicable to the Company.

viii. Financial asset or an intangible asset accounted for in accordance with IFRIC 12, Service Concession Arrangements exemption: The Company does not have any arrangements which would be classified as a service concession arrangement under IFRIC 12 "Service Concession Arrangements". Consequently, this exemption is not applicable to the Company.

ix. Insurance contracts: The Company does not issue any insurance contracts. Consequently, this exemption is not applicable to the Company.

B. Exceptions from full retrospective application

i. Derecognition of financial assets and liabilities exception: Financial assets and liabilities derecognized before January 1, 2004 are not re-recognized under IFRS. No arrangements were identified that had to be assessed under this exception.

2. Basis of preparation of financial statements (continued)

a. Statement of compliance (continued)

ii. Hedge accounting exception: The Company has not identified any hedging relationships existing as of the Transition Date. Consequently, this exception, of not reflecting in its opening IFRS statement of financial position a hedging relationship of a type that does not qualify for hedge accounting under IAS 39, is not applicable to the Company.

iii. Estimates exception: Upon an assessment of the estimates made under Previous GAAP, the Company has concluded that there was no necessity to revise such estimates under IFRS, except where estimates were required by IFRS and not required by Previous GAAP.

iv. Assets classified as held for sale and discontinued operations: The Company did not have any assets classified as held for sale, and therefore this exception is not applicable.

C. Reconciliations

The accounting policies as stated above have been applied in preparing the financial statements for the year ended March 31, 2017, the comparative information for the year ended March 31, 2016 and the opening IFRS equity at April 1, 2015. In preparing its opening IFRS equity and the comparative financial information for the year ended March 31, 2016, the Company has adjusted amounts reported previously in its financial statements prepared in accordance with Previous GAAP.

An explanation of how the transition from Previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

i. Reconciliation of equity

ii. Reconciliation of profit for the period

These reconciliations have been given in Note 26.

These financial statements were authorized for issuance by the Company's Board of Directors on **May 12 2017.**

b. Basis of measurement

These financial statements have been prepared on the historical cost convention and on an accrual basis.

c. Going Concern

The Company's financial statement for the year ended March 31, 2017 and March 31, 2016 have been prepared on a going concern basis which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

As of March 31, 2017 and 2016 the Company had working capital deficit of USD 147,857,252 and USD 108,034,542 respectively. The Company had incurred losses of USD 26,373,984 and USD 28,635,210 and had positive and negative cash flow from operations of USD 1,441,959 and USD 20,606,174 for the year ended March 31 2017 and March 31, 2016 respectively. The resource requirements of the Company have been currently funded by its Parent Company Dr. Reddy's Laboratories Inc.

Based on these factors, inspite of the incurred losses and negative cash flows from operations in the Company, the financial statements are prepared with going concern assumption.

2. Basis of preparation of financial statements (continued)

d. Functional and presentation currency

The Company's operations are self-contained and integrated within the respective countries/regions (i.e., United States of America), the functional currency has been determined to be the local currency of that country (i.e., U.S. Dollar).

e. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 2(c) –Going concern;
- Note 2(d) –Functional currency;
- Note 3(a) and 22 -Financial instruments;
- Note 3(b) -Useful life of property plant and equipment;
- Note 3(c) -Useful life of intangible assets;
- Note 3(d) -Valuation of inventories;
- Note 3(e) -Measurement of recoverable amounts of cash-generating units;
- Note 3(f) -Provisions;
- Note 3(g) -Sales returns, rebates and charge back provisions;
- Note 3(h) -Evaluation of recoverability of deferred tax assets;
- Note 3(i) -Share-based payment transactions;
- Note 3(k) -Leases

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

a. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments consist of trade and other receivables, cash and cash equivalents, trade and other payables and certain other assets and liabilities.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs, except for those instruments that are designated as being fair value through profit and loss upon initial recognition. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is expected within one year or within the normal operating cycle of the business.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are classified as current assets if the collection is expected within one year or within the normal operating cycle of the business.

Others

Other non-derivative financial instruments are initially recognized at fair value. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method, less any impairment losses.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right and ability to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

b. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

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.

3. Significant accounting policies (continued)

b. Property, plant and equipment (continued)

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other (income/expense, net)" in income statement.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in income statement as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognized in income statement on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expenses is included in the costs of the functions using the asset. Land is not depreciated.

Leasehold improvements are depreciated over period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	25 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Software for internal use, which is primarily acquired from third-party vendors and which is an integral part of a tangible asset, including consultancy charges for implementing the software, is capitalized as part of the related tangible asset. Subsequent costs associated with maintaining such software are recognised as expense as incurred. The capitalized costs are amortized over the estimated useful life of the software or the remaining useful life of the tangible fixed asset, whichever is lower.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

c. Goodwill and other Intangible assets

Goodwill

Goodwill represents the excess of consideration transferred, together with the amount of non-controlling interest in the acquiree, over the fair value of the Company's share of identifiable net assets acquired. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying value of the equity accounted investee.

3. Significant accounting policies (continued)

c. Goodwill and other Intangible assets (continued)

Other intangible assets

Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Research and development

Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in the income statement when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if:

- development costs can be measured reliably;
- the product or process is technically and commercially feasible;
- future economic benefits are probable; and
- the Company intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in the income statement as incurred.

Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalized. The Company's criteria for capitalization of such assets are consistent with the guidance given in paragraph 25 of International Accounting Standard 38 ("IAS 38") (i.e., receipt of economic benefits out of the separately purchased transaction is considered to be probable).

Acquired research and development intangible assets which are under development, are recognized as In-Process Research and Development assets ("IPR&D"). IPR&D assets are not amortized, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such IPR&D assets is recorded in the income statement under "Research and Development expenses".

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognized immediately in the income statement.

Amortization

Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use.

The estimated useful lives are as follows:

Trademarks	3 - 12 years
Product related intangibles	5 - 15 years
Customer-related intangibles	1 - 11 years
Other intangibles	3 - 15 years

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date.

3. Significant accounting policies (continued)

c. Goodwill and other Intangible assets (continued)

De-recognition of intangible assets

Intangible assets are de-recognized either on their disposal or where no future economic benefits are expected from their use. Losses arising on such de-recognition are recorded in the income statement, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of de-recognition.

d. Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory includes estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

e. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. All impairment losses/ (reversal of impairment losses) are recognized in income statement.

When the fair value of available-for-sale financial assets declines below acquisition cost and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in other comprehensive income is transferred to the statement of income. An impairment loss may be reversed in subsequent periods, if the indicators for the impairment no longer exist. Such reversals are recognized in other comprehensive income.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at December 31.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together.

3. Significant accounting policies (continued)

e. Impairment (continued)

into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized in the income statement if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

An impairment loss in respect of equity accounted investee is measured by comparing the recoverable amount of investment with its carrying amount. An impairment loss is recognized in the income statement, and reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

f. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognized only when receipt of such reimbursements is virtually certain. Such reimbursements are recognized as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

3. Significant accounting policies (continued)

g. Revenue

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 probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Profit share revenues

The Company from time to time enters into marketing arrangements with certain business partners for the sale of its products in certain markets. Under such arrangements, the Company sells its products to the business partners at a non-refundable base purchase price agreed upon in the arrangement and is also entitled to a profit share which is over and above the base purchase price. The profit share is typically dependent on the business partner’s ultimate net sale proceeds or net profits, subject to any reductions or adjustments that are required by the terms of the arrangement. Such arrangements typically require the business partner to provide confirmation of units sold and net sales or net profit computations for the products covered under the arrangement.

Revenue in an amount equal to the base purchase price is recognized in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognized as revenue in the period which corresponds to the ultimate sales of the products made by business partners only when the collectability of the profit share becomes probable and a reliable measurement of the profit share is available otherwise, recognition is deferred to a subsequent period pending satisfaction of such collectability and measurability requirements. In measuring the amount of profit share revenue to be recognized for each period, the Company uses all available information and evidence, including any confirmations from the business partner of the profit share amount owed to the Company, to the extent made available before the date the Company’s Board of Directors authorizes the issuance of its financial statements for the applicable period.

Milestone payments and out licensing arrangements

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. Non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognized over the period in which the Company has continuing performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognized as revenues either on achievement of such milestones, if the milestones are considered substantive, or over the period the Company has continuing performance obligations, if the milestones are not considered substantive. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

Provision for chargeback, rebates and discounts

Provisions 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. Provisions for such chargebacks are accrued and estimated based on 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.

Shelf stock adjustments

Shelf stock adjustments are credits issued to customers to reflect decreases in the selling price of products sold by the Company, and are accrued when the prices of certain products decline as a result of increased competition upon the expiration of limited competition or exclusivity periods. These credits are customary in the pharmaceutical industry, and are intended to reduce the customer inventory cost to better reflect the current market prices.

3. Significant accounting policies (continued)

g. Revenue (continued)

The determination to grant a shelf stock adjustment to a customer is based on the terms of the applicable contract, which may or may not specifically limit the age of the stock on which a credit would be offered.

Sales Returns

The Company accounts for sales returns accrual 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 Company deals in various products and operates in various markets. Accordingly, the estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates. With respect to established products, the Company considers its historical experience of sales returns, levels of inventory in the distribution channel, estimated shelf life, product discontinuances, price changes of competitive products, and the introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. With respect to new products introduced by the Company, such products have historically been either extensions of an existing line of product where the Company has historical experience or in therapeutic categories where established products exist and are sold either by the Company or the Company's competitors.

Services

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

h. Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

3. Significant accounting policies (continued)

i. Share-based payment transactions

The grant date fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share based payment transaction is presented as a separate component in equity under "share based payment reserve". The amount recognized as an expense is adjusted to reflect the actual number of stock options that vest.

j. Finance income and expense

Finance income consists of interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognized, in the profit or loss statement, as it accrues using the effective interest method. Dividend income is recognized in the profit or loss statement on the date that the Company's right to receive payment is established. The associated cash flows are classified as investing activities in the statement of cash flows. Finance expenses consist of interest expense on loans and borrowings.

Borrowing costs are recognized in the profit or loss statement using the effective interest method. The associated cash flows are classified as financing activities in the statement of cash flows.

Foreign currency gains and losses are reported on a net basis within finance income and expense. These primarily include: exchange differences arising on settlement or translation of monetary items; changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied; and the ineffective portion of cash flow hedges.

k. Leases

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

Finance leases

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 statements of financial position. Payments made under operating leases are recognized in income statement on a straight-line basis over the term of the lease.

Operating lease incentives received from the landlord are recognized as a reduction of rental expense on a straight line basis over the lease term.

3. Significant accounting policies (continued)

l. Recent accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company

IFRS 9, Financial instruments

In July 2014, the IASB issued the final version of IFRS 9, "Financial instruments". IFRS 9 significantly differs from IAS 39, "Financial Instruments: Recognition and Measurement", and includes a logical model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company believes that the new Standard will materially impact the classification and measurement of the Company's financial instruments, documentation relating to hedging financial exposures and recognition of certain fair value changes.

IFRS 15, Revenue from Contracts with Customers.

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.
The new revenue recognition standard was issued with an effective date of January 1, 2017. However, in April 2015, the IASB voted to defer the effective date of the new revenue recognition standard to January 1, 2018. Early application of the new standard is permitted. The Company is in the process of evaluating the impact of the new standard on its financial statements.

IFRS 16, Leases

In January 2016, the IASB issued a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, "Leases", and related interpretations and is effective for periods beginning on or after January 1, 2019. Earlier adoption of IFRS 16 is permitted if IFRS 15, "Revenue from Contracts with Customers", has also been applied.

The Company is currently in the process of evaluating the impact of this new accounting standard on its financial statements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC Interpretation 22, "Foreign Currency Transactions and Advance Consideration," which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. IFRIC Interpretation 22 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently in the process of evaluating the impact of this change in the accounting standard on its financial statements.

3. Significant accounting policies (continued)

l. Recent accounting pronouncements (continued)

IFRIC 23, Uncertainty over Income Tax treatments

On June 7, 2017, the IFRS Interpretations Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 “Income taxes”, are applied where there is uncertainty over income tax treatments.

IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

4. Determination of fair values

The Company’s accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

Property, plant and equipment acquired in a business combination or through an exchange of non-monetary assets is measured at fair value on the acquisition date. For this purpose, fair value is based on appraised market values and replacement cost.

(ii) Intangible assets

The fair value of trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of these brands, patents or trademarks being owned (“relief of royalty method”). The fair value of customer related, technology related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method after deduction of a fair return on other assets that are part of creating the related cash flows.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company’s borrowings that have floating rates of interest, their fair value approximates carrying value.

(v) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes-Merton valuation mode. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

5. Property plant and equipment:

The following is a summary of the change in carrying value of property, plant and equipment.

Particulars	Office Equipment	Computers	Leased Assets	Total
Gross carrying value				
Balance as at April 1, 2015	3,613	355,136	69,741	428,490
Additions	**-**	-	-	-
Disposals	-	-	-	-
Balance as at March 31, 2016	**3,613**	**355,136**	**69,741**	**428,490**
Balance as at April 1, 2016	**3,613**	**355,136**	**69,741**	**428,490**
Additions	-	-	-	-
Disposals	-	-	-	-
Balance as at March 31, 2017	**3,613**	**355,136**	**69,741**	**428,490**
Accumulated depreciation				
Balance as at April 1, 2015	**2,808**	**354,391**	**69,741**	**426,940**
Depreciation during the year	452	745	-	1,197
Disposals	-	-	-	-
Balance as at March 31, 2016	**3,260**	**355,136**	**69,741**	**428,137**
Balance as at April 1, 2016	**3,260**	**355,136**	**69,741**	**428,137**
Depreciation during the year	353	-	-	353
Disposals				-
Balance as at March 31, 2017	**3,613**	**355,136**	**69,741**	**428,490**
Net carrying value				
As at April 01, 2015	**805**	**745**	**-**	**1,550**
As at March 31, 2016	353	-	-	353
Add:-Capital Work in Progress				2,117
Total at March 31, 2016				**2,470**
As at March 31, 2017	-	-	-	-
Add:-Capital Work in Progress				3,343
Total at March 31, 2017				**3,343**

6. Other intangible assets

The following is a summary of changes in carrying value of other intangible assets:

Particulars	Patents & Trade Marks	Product related intangibles	Total
Gross carrying value			
Balance as at April 1, 2015	**153,450**	**47,531,231**	**47,684,681**
Additions	-	1,000,000	1,000,000
Balance as at March 31, 2016	**153,450**	**48,531,231**	**48,684,681**
Balance as at April 1, 2016	**153,450**	**48,531,231**	**48,684,681**
Additions	-	400,000	400,000
De-recognitions*	-	(3,833,984)	(3,833,984)
Balance as at March 31, 2017	**153,450**	**45,097,247**	**45,250,697**
Amortisation			
Balance as at April 1, 2015	**153,450**	**24,643,763**	**24,797,213**
Amortisation during the year	-	5,356,753	5,356,753
Impairment loss	-	1,500,000	1,500,000
Balance as at March 31, 2016	**153,450**	**31,500,516**	**31,653,966**
Balance as at April 1, 2016	**153,450**	**31,500,516**	**31,653,966**
Amortisation during the year	-	6,203,419	6,203,419
Impairment loss	-	400,000	400,000
De-recognitions*	-	(3,833,984)	(3,833,984)
Balance as at March 31, 2017	**153,450**	**34,269,951**	**34,423,401**
Net carrying amount			
As at April 01, 2015	-	22,887,468	22,887,468
As at March 31, 2016	-	17,030,715	17,030,715
As at March 31, 2017	-	10,827,296	10,827,296

* During the year ended March 31, 2017, the Company de-recognised certain intangible assets which were fully amortized and from which no future economic benefits were expected, either from use or from their disposal.

The weighted average remaining useful life of intangibles was approximately 2.46 years as at March 31, 2017.

Impairment loss recorded for the year ended March 31, 2017 and 2016:

As a result of the company's decision to discontinue further development of certain in- process research and development (IP R&D), an amount of USD 400,000 and USD 1,500,000 was recorded as impairment loss for the year ended March 31, 2017 and 2016 respectively under research and development expenses in Company's income statement. IP R&D assets are included in Product related intangibles.

The recoverable amounts of the above cash generating units have been assessed using a value-in-use model. Key assumptions upon which the Company has based its determinations of value-in-use include:

a) Estimated cash flows for the remaining useful life, based on management's budgets.

b) The terminal value is considered to be zero.

c) The post-tax discount rates used are based on the Company's weighted average cost of capital. The post-tax discount rates used was 11.61% and pre-tax was 15.94%.

7. Inventories

Inventories consist of the following:

	As of	
	March 31, 2017	**March 31, 2016**
Finished goods	494,756	399,153
Total inventories	**494,756**	**399,153**

During the years ended March 31, 2017 and 2016, the Company recorded inventory write-downs of USD 2,014,630 and USD nil respectively. These adjustments are included as part of cost of revenues in the income statement.

Cost of revenues for the years ended March 31, 2017 and 2016 includes raw materials, consumables and changes in finished goods and work in progress recognized in the income statement USD 3,594,469 and USD 3,243,212 respectively. Cost of Revenues for the years ended March 31, 2017 and 2016, includes other expenditures recognized in the income statement of USD 855,461 and USD 155,261 respectively.

8. Trade and other receivables

	As of	
	March 31, 2017	**March 31, 2016**
Trade and other receivables, net of chargebacks and rebates	9,077,991	1,743,023
Less: Allowance for doubtful trade receivables	-	-
Trade and other receivables, net	**9,077,991**	**1,743,023**

9. Other assets

Other assets consist of the following:

	As of	
	March 31, 2017	**March 31, 2016**
Current		
Due from related parties (Note 19)	35,130,908	27,681,922
Prepaid expenses	449,268	215,693
Others	2,243,745	1,214,611
	37,823,921	**29,112,226**
Non-current		
Deposits and other assets – non current	1,907,089	1,165,429
	1,907,089	**1,165,429**

10. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of	
	March 31, 2017	**March 31, 2016**
Current		
Cash balances	-	-
Balances with banks	87,726	65,647
Cash and cash equivalents on the statements of financial position	**87,726**	**65,647**
Cash and cash equivalents in the statement of cash flow	**87,726**	**65,647**

11. Share Capital

	As of	
	March 31, 2017	**March 31, 2016**
Fully paid up capital		
As at April 01	38,760,000	38,760,000
As at March 31	**38,760,000**	**38,760,000**

12. Provisions

Provisions consist of the following:

	As of	
	March 31, 2017	**March 31, 2016**
Sales returns	5,518,777	4,397,156
	5,518,777	**4,397,156**

The details of changes in provisions during the year ended March 31 2017 March 31, 2016 are as follows:

Particulars	**March 31, 2017**
Balance as at April 01	(4,397,156)
Provision made during the year	5,077,365
Credits and payments during the year	3,955,744
Balance as at March 31	**(5,518,777)**

13. Trade and other payables

Trade and other payables consist of the following:

	As of	
	March 31, 2017	**March 31, 2016**
Due to related parties (Note 19)	-	14,850
Others trade payables	104,708	112,485
Capital creditors	-	1,011,168
Creditors for expenses	11,447,814	1,505,752
	11,552,522	**2,644,255**

14. Other liabilities

Other liabilities consist of the following:

	As of	
	March 31, 2017	**March 31, 2016**
Current Liabilities		
Accrued expenses	7,578,644	8,809,557
Advances from customers	-	49,597
Due to related parties (Note 19)	-	336,605
Others	1,026,919	4,401,996
	8,605,563	**13,597,755**
Non-current Liabilities		
Others	450,902	1,259,767
	450,902	**1,259,767**

15. Revenue

Revenue consists of the following:

	For the Period ended	
	March 31, 2017	**March 31, 2016**
Sales to third parties	24,318,839	15,728,448
Sales to related parties (Note 19)	73,905	103,880
Service Income (Note 19)	407,291	3,856,476
	24,800,035	**19,688,804**

16. Other (income)/expense, net

Other expense/ (income), net consist of the following:

	For the period ended	
	March 31, 2017	**March 31, 2016**
Miscellaneous income [(1)] (Note 19)	(3,591,588)	-
Others	-	15,000
	(3,591,588)	**15,000**

(1) The Miscellaneous income consists of income from corporate services provided to fellow group companies. (Refer to Note 19 for details)

17. Finance (income)/ expense

Finance income/ (expense) consists of the following:

	For the Period ended	
	March 31, 2017	**March 31, 2016**
Interest expense	362,929	281,269
Foreign exchange loss	33,910	17,935
	396,839	**299,204**

18. Operating leases

The Company leases offices, residential facilities and vehicles under operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Some of these leases include rent escalation clauses. Rental expense under these leases was USD 22,199 and USD 22,199 for the years ended March 31, 2017 and March 31, 2016 respectively.

The schedule of future minimum rental payments in respect of non-cancellable operating leases is set out below:

	As of	
	March 31, 2017	**March 31, 2016**
Less than one year	22,199	-
Between one and five years	-	22,199
More than five years	-	-
	22,199	**22,199**

19. Related parties

The Company has entered into transactions with the following related parties:

(a) Dr. Reddy's Laboratories Inc. ("Parent company")
(b) Dr. Reddy's Laboratories (Australia) Pty. Limited ("Company under common control")
(c) Aurigene Discovery Technologies Limited ("Company under common control")
(d) Dr. Reddy's Laboratories Tennessee, LLC("Company under common control")
(e) Dr. Reddy's Laboratories Louisiana LLC ("Company under common control")
(f) Dr. Reddy's Laboratories Limited("Ultimate Parent Company ")
(g) Dr. Reddy's Laboratories SA ("Company under common control")

The following is a summary of significant related party transactions:

	Year ended	
Particulars	**March 31, 2017**	**March 31, 2016**
Sales to Dr. Reddy's Laboratories (Australia) Pty. Limited	73,905	103,880
Loan from Dr. Reddy's Laboratories Inc.	-	20,307,763
Services rendered to (Income) from related parties		
Dr. Reddy's Laboratories Inc.	407,291	3,856,476
Dr. Reddy's Laboratories Limited	3,553,400	-
Dr. Reddy's Laboratories SA	38,187	-

The Company has the following amounts due from related parties (included in other current assets):

Particulars	As of	
	March 31, 2017	**March 31, 2016**
Dr. Reddy's Laboratories Limited	2,500,016	148,076
Dr. Reddy's Laboratories Inc.	31,178,430	27,519,572
Aurigene Discovery Technologies Limited	14,275	14,275
Dr. Reddy's Laboratories SA	38,187	-
Dr. Reddy's Laboratories Tennessee, LLC	400,000	-
Dr. Reddy's Laboratories Louisiana LLC	1,000,000	-
Total amounts due from related parties	**35,130,908**	**27,681,923**

19. Related parties (continued)

The Company has the following amounts due to related parties (included in Current liabilities):

Particulars	As of	
	March 31, 2017	**March 31, 2016**
Dr. Reddy's Laboratories Limited	-	14,850
Dr. Reddy's Laboratories Inc.(refer note a)	169,701,922	118,352,138
Dr. Reddy's Laboratories Louisiana LLC	-	400,000
Dr. Reddy's Laboratories (Australia) Pty. Limited	-	336,605
Total amounts due to related parties	**169,701,922**	**119,103,593**

Note

a. Represents loans and borrowings received from group companies. Refer to Note 2(c) for details. These borrowings are repayable on demand and hence presented as current liability in the financial statements

20. Income taxes

a. Income tax (expense)/benefit recognized in the income statement

Income tax (expense)/benefit recognized in the income statement consist of the following:

	For the year ended March 31	
	2017	**2016**
Current taxes (expense)/benefit	3,648,058	27,441,877
Deferred taxes (expense)/benefit	18,137,114	(16,142,546)
Total income tax (expense)/benefit recognised in the income statement	**21,785,172**	**11,299,331**

b. Income tax (expense)/benefit recognized directly in equity

There were no income tax expenses / benefits recognized directly in equity for the year ended March 31, 2017 and 2016.

c. Reconciliation of effective tax rate

	For the year ended March 31,	
	2017	**2016**
Loss before income taxes	(48,159,156)	(39,934,541)
Enacted tax rate	37.37%	37.50%
Computed expected tax benefit/(expense)	17,996,113	14,975,979
Effect on account of tax allocation from the consolidated tax benefit/ (expense) of Parent Company viz., Dr. Reddy's Laboratories Inc., based on parent-down approach	3,789,059	(3,676,648)
Income tax benefit/ (expense)	**21,785,172**	**11,299,331**

20. Income taxes (continued)

c. Reconciliation of effective tax rate (continued)

The significant reconciling item from the expected tax benefit/ (expense) to the actual tax benefit/ (expense), at the parent company's consolidation level, includes the following:

	Years ended March 31	
	2017	**2016**
Expenses not deductible for tax purposes	(484,188)	(364,784)
Research and development tax credit	506,696	1,115,234
Qualified domestic production activities deduction	-	575,239
Others	1,448,352	651,371
	1,470,860	**1,977,060**

(1) Expenses not deductible for tax expenses include expenses which are disallowed as deduction from taxable profit as per the tax laws prevailing.

(2) There are certain income-tax related legal proceedings that are pending against the Company. Potential liabilities, if any, have been adequately provided for, and the Company does not currently estimate any material incremental tax liability in respect of these matters.

d. Unrecognized deferred tax assets and liabilities

During the financial year ending March 31, 2017 and 2016, the company does not have any unrecognized deferred tax assets.

e. Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

	March 31, 2017	**March 31, 2016**
Deferred tax assets/(liabilities):		
Property plant and equipment	126,160	(3,558,102)
Operating loss carry forward	24,489,765	-
Stock based compensation/ equity	438,230	665,628
Accounts receivable	508,314	(8,552,830)
R&D credit	942,620	-
Other current assets	558,012	1,219,478
Intangibles	41,322	(711,847)
Other current liabilities	(8,967,309)	(5,204,874)
Net deferred tax asset/(liabilities)	**18,137,114**	**(16,142,547)**

In assessing the realizability of the deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences and tax loss carry forwards. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced. Periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences and tax loss carry forwards. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

20. Income taxes (continued)

f. Movement in temporary differences during the years ended March 31, 2017 and 2016:

The details of movements in deferred tax assets and liabilities are summarised below:

	As at March 31, 2016	Movement	As at March 31, 2017
Deferred tax assets /(liabilities)			
Property , plant and equipment and intangibles	(1,363,498)	167,482	(1,196,016)
Accounts receivable	(7,473,843)	508,314	(6,965,529)
Stock based compensation	643,538	438,230	1,081,768
Other current assets	1,224,730	558,012	1,782,742
R&D credit	-	942,620	942,620
Other current liabilities	(5,254,568)	(8,967,309)	(14,221,876)
Operating losses carried forward	-	24,489,765	24,489,765
Net deferred tax assets /(liabilities)	**(12,223,641)**	**18,137,114**	**5,913,474**

	As at March 31, 2015	Movement	As at March 31, 2016
Deferred tax assets /(liabilities)			
Property, plant and equipment and intangibles	2,906,451	(4,269,949)	(1,363,498)
Accounts receivable	1,078,987	(8,552,830)	(7,473,843)
Stock based compensation	(22,090)	665,628	643,538
Other current assets	5,252	1,219,478	1,224,730
Other current liabilities	(49,694)	(5,204,874)	(5,254,568)
Net deferred tax assets /(liabilities)	**3,918,906**	**(16,142,547)**	**(12,223,641)**

21. Employee stock incentive plan

Dr. Reddy's Employees ADR Stock Option Plan-2007 (the "DRL 2007 Plan"):

Dr. Reddy's Laboratories Limited, ("Ultimate Parent Company") instituted the DRL 2007 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on July 27, 2005. The DRL 2007 Plan came into effect on approval of the Board of Directors on January 22, 2007. The DRL 2007 Plan covers all employees and directors (excluding promoter directors) of the Company. The Committee of the parent Company administers the DRL 2007 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2007 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

21. Employee stock incentive plan (continued)

Stock option activity under the DRL 2007 Plan during the year ended March 31, 2017 and March 31, 2016 was as follows:

Category B – Par Value Options	Fiscal Year ended March 31, 2017			
	Shares arising out of options	Exercise price	Weighted-average exercise price	Weighted average remaining contractual life (months)
Outstanding at the beginning of the year	4,850	USD 0.12	USD 0.12	70
Granted during the year	1,612	USD 0.12	USD 0.12	90
Expired/ Forfeited during the year	(948)	USD 0.12	USD 0.12	-
Exercised during the year	(2,842)	USD 0.12	USD 0.12	-
Outstanding at the end of the year	2,672	USD 0.12	USD 0.12	68
Exercisable / vested at the end of the year	640	USD 0.12	USD 0.12	39

Category B – Par Value Options	Fiscal Year ended March 31, 2016			
	Shares arising out of options	Exercise price	Weighted-average exercise price	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the year	5,725	USD 0.12	USD 0.12	72
Granted during the year	1,516	USD 0.12	USD 0.12	90
Expired/ Forfeited during the year	(439)	USD 0.12	USD 0.12	-
Exercised during the year	(1,952)	USD 0.12	USD 0.12	-
Outstanding at the end of the year	4,850	USD 0.12	USD 0.12	70
Exercisable / vested at the end of the year	546	USD 0.12	USD 0.12	44

The weighted average grant date fair value of par value options granted under category B of the DRL 2007 plan during the years ended March 31, 2017 and March 31, 2016 was 50.36 and 49.90 respectively. The aggregate intrinsic value of options exercised under the DRL 2007 Plan during the year ended March 31, 2017 and 2016 was USD 47,023 and USD 115,534. As of March 31, 2017, options outstanding under the DRL 2007 Plan had an aggregate intrinsic value of USD 108,254 and options exercisable under the DRL 2007 Plan had an intrinsic value of USD 25,929 respectively.

The fair value of stock options granted under the DRL 2002 Plan and the DRL 2007 Plan has been measured using the Black-Scholes-Merton model at the date of the grant.

The Black-Scholes-Merton model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates. In respect of par value options, the expected term of an option (or "option life) is estimated based on the vesting term, contractual term, as well as expected exercise behavior of the employees receiving the option. In respect of Fair Market Value options, the option life is estimated based on the simplified method. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company's publicly traded equity shares. Dividend yield of the options is based on recent dividend activity. Risk-free interest rates are based on the Indian government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of Company's control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in future periods, stock based compensation expense could be materially impacted in future years.

21. Employee stock incentive plan (continued)

The fair value of each option is estimated on the date of grant using the Black-Scholes-Merton model with the following assumptions:

	Grants made on	
	November 15, 2016	**May 11, 2015**
Expected volatility	32.77%	25.98%
Exercise price	Rs.5.00	Rs.5.00
Option life	2.5 Years	2.5 Years
Risk-free interest rate	6.27%	7.87%
Expected dividends	0.60%	0.60%
Grant date share price	Rs.3,310.70	Rs.3,359.70

For the years ended March 31, 2017 and 2016 an amount of USD 36,368 and USD 64,178 respectively, has been recorded as employee share-based payment expense under all employee stock incentive plans with a corresponding credit to the Additional paid in capital, disclosed as part of stock holders' equity, representing capital contribution by Dr. Reddy's Laboratories Limited, the ultimate parent company. As of March 31, 2017, there was approximately USD 72,659 of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of 2.51 years.

22. Financial Instruments

Financial Instruments by category

The carrying value and fair value of the financial instruments by each category as at March 31, 2017 were as follows:

Particulars	Note	Loans and receivables	Trade and other payables	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents	10	87,726	-	87,726	87,726
Trade and other receivables	8	9,077,991	-	9,077,991	9,077,991
Other assets*	9	37,374,654	-	37,374,654	37,374,654
Total		**46,540,371**	**-**	**46,540,371**	**46,540,371**
Liabilities:					
Trade and other payables	13	-	11,552,522	11,552,522	11,552,522
Loans and borrowings	19	-	169,701,922	169,701,922	169,701,922
Other liabilities and provisions	12 &14	-	14,575,241	14,575,241	14,575,241
Total		**-**	**195,829,685**	**195,829,685**	**195,829,685**

22. Financial Instruments (continued)

The carrying value and fair value of the financial instruments by each category as at March 31, 2016 were as follows:

Particulars	Note	Loans and receivables	Trade and other payables	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents	10	65,647	-	65,647	65,647
Trade and other receivables	8	1,743,023	-	1,743,023	1,743,023
Other assets*	9	28,896,533	-	28,896,533	28,896,533
Total		**30,705,203**	**-**	**30,705,203**	**30,705,203**
Liabilities:				-	-
Trade and other payables	13	-	2,644,255	2,644,255	2,644,255
Loans and borrowings	19	-	118,352,138	118,352,138	118,352,138
Other liabilities and provisions	12 &14	-	19,654,679	19,654,679	19,654,679
Total		**-**	**140,651,072**	**140,651,072**	**140,651,072**

***** Other assets that are not financial assets (such as receivables from statutory authorities, export benefit receivables, prepaid expenses, advances paid and certain other receivables) of USD 449,267 and USD 215,693 as of March 31, 2017 and 2016, respectively, are not included.

Fair value hierarchy

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 — Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

23. Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors is responsible for overseeing Company's risk assessment and management policies and processes.

a. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country, in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

23. Financial risk management (continued)

a. Credit risk (continued)

Financial assets that are past due but not impaired

The Company's credit period for customers generally ranges from 20 – 180 days. The age analysis of the trade receivables has been considered from the date of the invoice. The aging of trade receivables that are past due, net of allowance for doubtful receivables, is given below:

Period (in days)	Year ended, March 2017	March 2016
00-90	-	-
90-180	-	-
More than 180	-	-
Total	**-**	**-**

See Note 8 for the activity in the allowance for impairment of trade account receivables. Other than trade receivables, the Company has no class of financial assets that is past due but not impaired

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by raising additional funds from parent company or from group companies to meet the financial obligations.

As of March 31, 2017 and 2016 the Company had working capital deficit of USD 147,857,252 and USD 108,034,542 respectively. Based on the projected cash flows and available lines of credit, the Company has sufficient resources to meet the capital expenditure needs and working capital requirements over the course of the next 12 months.

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2017:

Particulars	2018	2019	2020	2021	Thereafter	Total
Trade and other payables	11,552,522	-	-	-	-	11,552,522
Loans and borrowings	169,701,922	-	-	-	-	169,701,922
Other liabilities and provisions	14,124,339	450,902	-	-	-	14,575,241
Total	**195,378,783**	**450,902**	**-**	**-**	**-**	**195,829,685**

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2016

Particulars	2017	2018	2019	2020	Thereafter	Total
Trade and other payables	2,644,255	-	-	-	-	2,644,255
Loans and borrowings	118,352,138	-	-	-	-	118,352,138
Other liabilities and provisions	18,394,912	1,259,767	-	-	-	19,654,679
Total	**139,391,305**	**1,259,767**	**-**	**-**	**-**	**140,651,072**

23. Financial risk management (continued)

c. Market risk

Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates and other market changes that affect market risk-sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and short term/or long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Foreign exchange risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses. A significant portion of the Company's revenues are in reporting currency, USD. As a result, the Company is not exposed to significant foreign currency risk.

The following table analyse foreign currency risk from financial instruments as at March 31, 2017 and March 31, 2016:

Particulars	**INR**	**Euro**	**GBP**	**Total**
Liabilities: (in USD)	-	-	-	-
Trade payables	-	-	-	-
Other Liabilities & Provisions	-	28,175	1,983	**30,158**
Total	**-**	**28,175**	**1,983**	**30,158**

Particulars	**INR**	**Euro**	**GBP**	**Total**
Liabilities: (in USD)	-	-	-	-
Trade payables	-	21,984	150	**22,134**
Other Liabilities and provisions	400,000	336,690	5,599	**742,288**
Total	**400,000**	**358,674**	**5,749**	**764,422**

For the year ended March 31, 2017 and 2016, every 10% depreciation/appreciation in the exchange rate between the U.S. Dollar and the respective currencies for the above mentioned financial liabilities would affect the Company's net profit by approximately USD 3,258 and USD 42,247 respectively.

Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of active pharmaceutical ingredients, including the raw material components for such active pharmaceutical ingredients. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in the Company's active pharmaceutical ingredients business are generally more volatile. Cost of raw materials forms the largest portion of the Company's operating expenses. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. The Company has historically not entered into any derivative financial instruments or futures contracts to hedge exposure to fluctuations in commodity prices.

24. Nature of Expense

The following table shows the expenses by nature:

Particulars	For the year ended March 31, 2017			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	18,372	15,260,393	1,624,099	16,902,864
Depreciation and amortisation	-	5,280,440	923,333	6,203,773
	18,372	**20,540,333**	**2,547,432**	**23,106,637**

Particulars	For the year ended March 31, 2016			
	Cost of revenues	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	6,564	8,626,264	5,583,396	14,216,224
Depreciation and amortisation	-	5,281,283	76,667	5,357,950
	6,564	**13,909,547**	**5,660,063**	**19,574,174**

25. Employee benefits

The Company's employees participate in Dr. Reddy's Laboratories, Inc., 401 (k) defined contribution retirement plan. The Company's contribution is discretionary and is determined by its Board of Directors on an annual basis. The contribution made by the Company for the year ended March 31, 2017 and 2016 was USD 570,239 and USD 368,164 respectively.

26. Effect of transition to IFRS on Company’s Equity and Profit

Reconciliation between financial results as previously reported under Previous GAAP and IFRS for year ended March 31, 2016	
Particulars	**Year ended March 31, 2016**
Net profit under previous GAAP	**(38,369,363)**
Income tax benefit recognised for the year ended 31 March 2016	11,299,331
Less: ESOP cost accounted	(65,178)
Impairment of intangibles	(1,500,000)
Net loss under IFRS	**(28,635,210**

Reconciliation of equity as on March 31, 2016 as previously reported under Previous GAAP to IFRS	
Particulars	**As on March 31, 2016**
Equity reported under Previous GAAP as on March 31, 2016	**(118,537,573)**
Recognition of current and deferred taxes	15,218,237
Equity reported under IFRS as on March 31, 2016	**(103,319,336)**

Independent Auditors' Report

To the Members of **Reddy Antilles N.V.**

We have audited the accompanying financial statements of **Reddy Antilles N.V.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

Reddy Antilles N.V.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Financial assets				
Investments	2.1	171,263	164,943	159,500
Loans	2.2	44,481	48,338	57,652
		215,744	**213,281**	**217,152**
Current assets				
Financial assets				
Cash and cash equivalents	2.3	1,485	2,545	185
Loans	2.2	891	1,076	947
Other current assets	2.4	1,856	1,893	1,177
Total current assets		**4,232**	**5,514**	**2,309**
Total assets		**219,976**	**218,795**	**219,461**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.5	52,279	52,279	52,279
Other equity	2.5			
Retained earnings		(185,968)	(195,932)	(173,490)
Total equity		**(133,689)**	**(143,653)**	**(121,211)**
Non current liabilities				
Financial Liabilities				
Borrowings	2.6	336,899	344,060	324,561
		336,899	**344,060**	**324,561**
Current liabilities				
Financial Liabilities				
Other current financial liabilities	2.7	16,733	18,355	16,079
Liabilities for current tax (net)		33	33	32
Total Liabilities		**16,766**	**18,388**	**16,111**
Total equity and liabilities		**219,976**	**218,795**	**219,461**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Reddy Antilles N.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Continuing operations			
Other Income			
Foreign exchange gain,net		11,518	-
Total Income		**11,518**	**-**
Expenses			
Other expenses	2.8	1,554	22,442
Total expense		**1,554**	**22,442**
Profit/(Loss) before tax		**9,964**	**(22,442)**
Income tax expense		-	-
Profit/(Loss) for the year		**9,964**	**(22,442)**
Earnings per share:			
Basic - Par value USD 1 per share		8.80	(19.83)
Diluted - Par value USD 1 per share		8.80	(19.83)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Reddy Antilles N.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
Profit/(loss) before taxation	9,964	(22,442)
Adjustments to reconcile profit before tax to net cash flows:		
Net foreign exchange differences	(6,641)	16,861
Operating cash flows before working capital changes	**3,323**	**(5,581)**
Working capital adjustments:		
Increase/(Decrease) in other assets & liabilities,net	(972)	583
	2,351	**(4,998)**
Income tax paid	-	-
Net cash flows from operating activities	**2,351**	**(4,998)**
Net cash flows used in investing activities		
Purchase of financial instruments - investment in subsidiary	(6,320)	(5,443)
Loans and advances repaid by wholly owned subsidiaries and other group companies	2,929	12,763
	(3,391)	**7,320**
Net cash flows from/ (used in) financing activities	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	(1,040)	2,322
Cash and cash equivalents at the beginning of the year	2,545	185
Effect of foreign exchange gain on cash and cash equivalents	(20)	38
Cash and cash equivalents at the end of the year	**1,485**	**2,545**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,485	2,545
Cash and bank balances at the end of the year	**1,485**	**2,545**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Reddy Antilles N.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

Reddy Antilles N.V.

Statement of Changes in Equity

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

2.4 Total equity

For the year ended 31 March, 2017

Particulars	Share Capital		Reserves and Surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2015	**1,131,646**	**52,279**	**(173,490)**	**(121,211)**
Shares issued during the year	-	-	-	-
Loss for the period			(22,442)	(22,442)
Balance as of 31 March 2016	**1,131,646**	**52,279**	**(195,932)**	**(143,653)**
Profit for the period			9,964	9,964
Balance as of 31 March 2017	**1,131,646**	**52,279**	**(185,968)**	**(133,689)**

As per our report of even date attached

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

for and on behalf of the Board of Directors of **Reddy Antilles N.V.**

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS) These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

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

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation
Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.
Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.
Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring
A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights
Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Reddy Antilles N.V.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis, as the company is supported by its parent company in its activities and financial affairs.

1.2 Related Party Transactions

The company has the following amounts due from/to related parties :

Particulars	As at 31 March 2017	As at 31 March 2016
Due from holding company and other group companies(included in loans and advances):		
Reddy Netherlands B.V.	21,793	27,154
OOO DRS LLC	22,688	19,451
Eurobridge Consulting B.V.	-	1,733
Due to holding company and other group companies(included in non current borrowings and current financial liabilities):		
Dr. Reddy's Laboratories Limited	353,431	361,911

1.3 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.4 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.6 The company, incorporated in Netherlands, is a 100% subsidiary of Dr.Reddy's Laboratories Limited.

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

Note 2: Notes to the financial statements

Financial Assets

Investments carried at cost	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.1 : Investments in subsidiary companies			
Eurobridge Consulting B.V.	171,263	164,943	159,500
	171,263	**164,943**	**159,500**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Loans and Advances			
Loans and advances to wholly owned subsidiaries & other group companies	44,481	48,338	57,652
Other advances	891	1,076	947
	45,372	**49,414**	**58,599**
Current	891	1,076	947
Non Current	44,481	48,338	57,652
	45,372	**49,414**	**58,599**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	1,485	2,545	185
Cash and cash equivalents	**1,485**	**2,545**	**185**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Other assets			
Other Current assets			
Prepaid expenses	67	66	63
Others	1,789	1,827	1,114
	1,856	**1,893**	**1,177**

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 the financial statements

2.5 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
1,131,646 shares (31 March 2016 : 1,131,646; 1 April 2015 : 1,131,646) of USD 1 each	52,279	52,279	52,279
Issued equity capital			
1,131,646 shares (31 March 2016 : 1,131,646; 1 April 2015 : 1,131,646) of USD 1 each	52,279	52,279	52,279
Subscribed and fully paid-up			
1,131,646 shares (31 March 2016 : 1,131,646;1 April 2015 : 1,131,646) of USD 1 each	52,279	52,279	52,279
	52,279	**52,279**	**52,279**

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

Particulars	**As at 31 March 2016**		**As at 31 March 2015**		**As at 1 April 2015**	
	No. of equity shares	**Amount**	**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	1,131,646	52,279
Add: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**	**1,131,646**	**52,279**

(b) **Terms / rights attached to the 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**		**As at 1 April 2015**	
	No. of equity shares held	**% holding in the class**	**No. of equity shares held**	**% holding in the class**	**No. of equity shares held**	**% holding in the class**
Dr. Reddy's Laboratories Limited	1,131,646	100%	1,131,646	100%	1,131,646	100%

2.6 : Borrowings

Non-current Borrowings	**As at 31 March 2017**	**As at 31 March 2016**	**As at 1 April 2015**
From other parties			
Long term borrowings from holding company	336,899	344,060	324,561
Total non-current borrowings	**336,899**	**344,060**	**324,561**

2.7 : Other financial liabilities

	As at 31 March 2017	**As at 31 March 2016**	**As at 1 April 2015**
Other current financial liabilities			
Other liabilities	201	504	-
Due to holding company and other group companies	16,532	17,851	16,079
	16,733	**18,355**	**16,079**

	For the year ended 31 March 2017	**For the year ended 31 March 2016**
2.8 : Other expenses		
Foreign exchange loss,net	-	20,897
Legal and professional	1,255	1,287
Other general expenses	299	258
	1,554	**22,442**

Reddy Holding GmbH,
Augsburg

Report on the voluntary audit of the annual
financial statements as at March 31, 2017

Auditor
Tax advisor
Bernhard Hall
Ravenspurgerstrasse 41
86150 Augsburg

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Annex 4	Audit opinion
	General terms and conditions for auditors and auditing companies of January 1, 2002

List of abbreviations

€	euro
Company	Reddy Holding GmbH
HGB	Handelsgesetzbuch (German Commercial Code)
HR	Commercial register
IDW	Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf
IDW PS 400	IDW Auditing Standard "Principles for the proper issuing of audit opinions for statutory audits"
IDW PS 450	IDW Auditing Standard "Principles of proper reporting for statutory audits"
ICS	Internal control system
AS	Auditing standard
T€	Thousands of euros
PY	Prior year

A. Audit mandate

The Management Board of Reddy Holding GmbH, Augsburg, Germany - hereinafter also referred to as "Reddy Holding" or "Company" - has commissioned me to audit the annual financial statements as at March 31, 2017, including the underlying accounting practices, for compliance with professional principles, and to report on the results of my audit in writing.

The auditing mandate was issued to me by the Management Board on February 23, 2017.

The Company is to be classified as a small company in accordance with the criteria set out in section 267, para. 1 HGB and is therefore not subject to audit pursuant to section 316 et seq. HGB. However, a voluntary audit of the financial statements is to be carried out.

I confirm, in accordance with section 321, para. 4a HGB, that I have observed the applicable rules on independence in carrying out my audit of the financial statements.

In the following report, which was prepared in accordance with the principles of proper reporting for audits of financial statements (IDW PS 450), I report on the nature, extent and results of my audit.

In Section B, the report provides in advance my opinion on the Management Board's assessment.

The audit procedure and audit results are described in detail in Sections C and D. The unqualified audit opinion issued on the basis of the audit is set forth in Section E.

I have attached the audited financial statements, consisting of the balance sheet (Annex 1), the income statement (Annex 2) and the notes to the financial statements (Annex 3) to my report.

The "General terms and conditions for auditors and auditing companies of January 1, 2002" that have been agreed upon and that are annexed to this report form the basis for the execution of the mandate and my responsibility, including in relation to third parties.

B. Basic determinations

Opinion on the assessment of the Management Board

In principle, the CEO must assess the economic situation of the Company in the management report. Small capital companies are not under a legal obligation to draw up a management report. Nor has the Management Board voluntarily prepared a management report. Consequently, as a statutory auditor, I do not have any obligation to comment on the assessment of the Company's situation by the legal representatives, as would otherwise be expressed in the management report.

C. Object, nature and scope of the audit

The object of the audit included the accounting and annual financial statements as at March 31, 2017 (Annexes 1 to 3), and compliance with the relevant legal requirements regarding the accounting and the supplementary provisions of the articles of association.

Verification of compliance with other legal provisions only falls within the scope of the statutory audit to the extent that these other provisions normally impact the annual financial statements. In this respect, a review of the nature and appropriateness of the insurance coverage, in particular whether all risks were taken into account and sufficiently insured, was not included in my audit mandate.

The Management Board of the Company is responsible for the accounting and the preparation of the financial statements as well as the information provided to me. My task is to assess the documents submitted by the Management Board and the information provided in the context of my audit.

I conducted the audit work in the offices of the Company in Augsburg and at my office in Augsburg in April 2017. The audit report was then finalized. In preparation for the final audit, I carried out a preliminary audit in March 2017, during which the internal control system (ICS) was also audited.

The starting point for my audit was the annual financial statements prepared by the Company as at March 31, 2017. The annual financial statements as at March 31, 2016, were adopted as such by the shareholders' resolution of January 18, 2017. In this respect, my audit is an initial audit because the annual financial statements for the previous year are unaudited due to the lack of a statutory audit obligation. The annual financial statements as at March 31, 2016, were also prepared by the Company.

I used the accounting records, the receipts and the files and documents of the Company as audit documents.

All information, explanations and documentary evidence requested by me have been willingly provided by the Management Board and the employees appointed to provide information. In addition to this, the Management Board has confirmed to me in the declaration of completeness that is standard for the profession that the accounts and the annual financial statements to be audited incorporate all assets, obligations, risks and accruals that are subject to accounting, including all expenses and income, that all necessary information has been provided and that all existing contingent liabilities have been disclosed to me. There were no significant events that occurred after the end of the fiscal year according to the information in the notes and none became known to me during my audit.

I conducted my audit of the financial statements in accordance with section 316 et seq. HGB and the generally accepted standards in Germany for the audit of financial statements set out by the IDW. Accordingly, I have planned and performed my audit with an orientation towards problems – but without any special focus on auditing for embezzlement – in such a way that irregularities and statutory violations materially affecting the presentation of the Company's net assets, financial position and results of operations in the annual financial statements in accordance with standard accounting practices could have been detected with reasonable assurance.

The audit included assessing the accounting principles used and significant estimates made by the Company's Management Board, as well as evaluating the overall presentation of the annual financial statements.

The audit was based on planning of the audit focal areas, taking into account my preliminary assessment of the Company's situation and an assessment of the effectiveness of the accounting-related internal control system (risk-oriented audit approach). The assessment was based in particular on findings related to the legal and economic framework conditions. Industry risks, corporate strategy and the resulting business risks are known from discussions with the Management Board and employees of the Company.

The risk areas identified in the audit planning resulted in the following focal areas of the audit:

- Audit of opening balance sheet values;
- Valuation and write-up of the shares of betapharm Arzneimittel GmbH;
- Valuation and recognition of tax provisions.

On the basis of a provisional assessment of the internal control system (ICS), I have followed the principles of materiality and economic efficiency when defining the further audit procedures. The audit of the structure of the ICS was intended to ensure, in particular, the rules governing the regularity and reliability of the Company's accounts, the continued existence of the Company and the preservation of existing assets, including preventing or exposing asset misappropriation.

Both the analytical audit procedures and the individual case studies were therefore carried out on the basis of selected samples, taking into account the importance of the audit areas, the organization of the accounting and the findings of the audit of the ICS. The samples were consciously selected in such a way as to take account of the economic importance of the individual items in the annual financial statements and to enable adequate auditing for compliance with statutory accounting requirements.

To audit the Company's assets and liabilities, I have obtained, among other things, a confirmation from the bank with which the Company has business relations.

D. Findings and notes on accounting

I. Regularity of accounting

1. Accounting records and other audited documents

The accounting (financial and asset accounting records) as well as the preparation of the annual financial statements of the Company are carried out by employees of the Company. The Company uses the programs of SAP in this process. Payroll accounting has been outsourced to an external service provider.

The accounting-related internal control system set up by the Company provides rules for the organization and control of work processes that are appropriate to the business purpose and scope. The accounting procedures did not undergo any significant organizational changes during the reporting period.

The organization of the accounting records system and the accounting-related internal control system make possible the complete, accurate, timely and orderly recording and booking of business transactions. The chart of accounts is adequately structured, and the document system is clearly organized. The books were appropriately opened with the figures from the previous year's balance sheet and were altogether kept properly during the entire fiscal year.

The information obtained from the other audited documents resulted in the proper presentation in the accounting records and the annual financial statements.

Overall, it can be stated that the accounting records and the other audited documents comply with legal requirements, including the principles of proper accounting and the supplementary provisions of the articles of association. The audit revealed no issues.

2. Annual financial statements

The present annual financial statements as at March 31, 2017, were drawn up in accordance with the provisions of German commercial law and the supplementary provisions of the articles of association. Partial use was made of the size-dependent simplifications for the preparation of annual financial statements.

The balance sheet and income statement are properly derived from the accounting records and other documents that were audited. The classification of the balance sheet is based on the provisions of section 266, para. 2 and 3 HGB. The income statement was prepared in accordance with section 275, para. 2 HGB using the total cost (nature of expense) method. If there are optional presentation methods in the balance sheet or the income statement, the corresponding disclosures are largely made in the notes.

The accounting and valuation methods applied to the balance sheet and the income statement are adequately explained in the notes prepared by the Company. All individual disclosures required by law as well as the optional disclosures on the balance sheet and the income statement, which are included in the notes, are completely and accurately presented.

The annual financial statements thus comply with legal requirements, including the principles of proper accounting and the supplementary provisions of the articles of association. The audit revealed no issues.

II. Overall presentation of the annual financial statements

1. Determinations of the overall presentation of the annual financial statements

Based on the findings of my audit, the annual financial statements as a whole, i.e. as an overall presentation of the annual financial statements – as determined by the combination of the balance sheet, the income statement and the notes to the financial statements – give a true and fair view of the Company's net assets, financial position and results of operations in accordance with the principles of proper accounting.

2. Significant valuation policies and changes to those policies

The following accounting and valuation methods were used in preparing the annual financial statements of the Company:

- Accounting and valuation are carried out under the assumption of continuation of the business activities
- Up to and including fiscal 2015/16, tax prepayments were disclosed under other assets. Starting from fiscal 2016/17, tax prepayments are offset against tax provisions. To improve comparability, the presentation was adjusted in fiscal 2015/16.
- In the year under review, sales revenues were expanded as a result of the new definition in accordance with section 277, para. 1 of the German Commercial Code (HGB) pursuant to the Accounting Directive Implementation Act (BilRUG). To improve comparability, the presentation was adjusted in fiscal 2015/16. Other operating income was reduced accordingly.
- In previous years, the shareholding in betapharm Arzneimittel GmbH ("betapharm") was written down in full. In the year under review, the earnings prospects for betapharm improved significantly. The lower valuation could therefore no longer be maintained and an impairment reversal had to be carried out. This is partly attributable to the future free cash flows and a discount factor of 8.45%.

The accounting and valuation policies were essentially unchanged from the prior year, with the above-mentioned exceptions. In addition, please see the explanations in the notes to the financial statements.

3. Measures influencing individual items

The findings of my audit did not reveal any reportable facts resulting from substantive measures in the audit period with a significant impact on the overall presentation of the annual financial statements.

4. Classifications and notes

The main items in the balance sheet and the income statement are broken down and explained below.

Increase in overall performance and decline in net income

The overall performance is as follows:

	2016/17		2015/16		Change	
	€ thousands	**%**	**€ thousands**	**%**	**€ thousands**	**%**
Sales revenues	1,918	1.0	1,817	91.5	101	5.6
Other operating income	187,318	99.0	168	8.5	187,150	> 100.0
Overall performance	189,236	100.0	1,985	100.0	187,251	> 100.0

Sales revenues include the management fee for the Company's services that are provided to subsidiaries. The Company provides services in the areas of finance, accounting, information technology, human resources, legal advice, administration and management.

Other operating income is attributable to income from other accounting periods due to the release of other provisions (€318,000; prior year: €168,000) and income from the write-up of shares in betapharm Arzneimittel GmbH (€187,000,000; prior year €0).

The reconciliation of the overall performance to net income is shown below.

	2016/17		2015/16		Change	
	€ thousands	**%**	**€ thousands**	**%**	**€ thousands**	**%**
Overall performance	189,236	100.0	1,985	100.0	187,251	> 100.0
Personnel expense	-1,499	-0.8	-1,490	-75.1	-9	-0.6
Other operating expenses	-519	-0.3	-562	-28.3	43	7.7
Income from profit transfers	47,085	> 100.0	71,507	> 100.0	-24,422	-34.2
Net interest	-1,078	-0.6	-1,694	-85.3	616	36.4
Tax expense	-10,372	> -100.0	-15,987	> -100.0	5,615	35.1
Net income	222,853	> 100.0	53,759	> 100.0	169,094	>100

The net income for the year is significantly influenced by the income attributable to the write-up reported in the overall performance and by the income due to the profit transfer from the subsidiary betapharm Arzneimittel GmbH. Fiscal unity exists with this subsidiary, which means that the income from the profit transfer is taxable at the level of Reddy Holding.

Increase in balance sheet total

The increase in the balance sheet total to €216,140,000 results from the write-up of the shareholding in betapharm Arzneimittel GmbH. The receivables primarily include receivables from betapharm Arzneimittel GmbH (€28,978,000; prior year: €8,435,000) resulting from, among other factors, the profit and loss transfer agreement. In the previous year, these receivables were booked to a large extent during the year. The loss not covered by equity in the previous year was offset in the current year by the high net income.

	March 31, 2017		March 31, 2016		Change	
	€ thousands	**%**	**€ thousands**	**%**	**€ thousands**	**%**
Fixed assets	187,100	86.6	100	0.1	187,000	> 100.0
Receivables, cash	29,040	13.4	8,598	6.6	20,442	237.8
Negative equity	0	0.0	122,520	93.4	-122,520	> 100.0
Balance sheet total	216,140	100.0	131,218	100.0	84,922	64.7

Increase in equity ratio

The equity ratio was significantly increased this year. The loss not covered by equity was offset. As a result, the Company's assets are mainly financed by equity. The provisions relate mainly to tax provisions, which were reduced due to increased tax prepayments. The vast majority of the liabilities are attributable to liabilities to Dr. Reddy's Laboratories, Switzerland.

	March 31, 2017		March 31, 2016		Change	
	€ thousands	**%**	**€ thousands**	**%**	**€ thousands**	**%**
Equity	100,334	46.4	0	0.0	100,334	> 100.0
Provisions	14,394	6.7	21,884	16.7	-7,490	-34.2
Liabilities	101,412	46.9	109,334	83.3	-7,922	-7.2
Balance sheet total	216,140	100.0	131,218	100.0	84,922	64.7

E. Presentation of the audit opinion and final remarks

After the conclusion of my audit, I have issued the following unqualified audit opinion on the annual financial statements as at March 31, 2017 (Annexes 1 to 3) of Reddy Holding GmbH, Augsburg, Germany, dated April 27, 2017, which is reproduced here:

"Audit opinion

I have audited the annual financial statements consisting of the balance sheet, income statement and notes, including the accounting records of Reddy Holding GmbH for the fiscal year from April 1, 2016, to March 31, 2017. The accounting methods and preparation of the annual financial statements under German commercial law and the supplementary provisions of the articles of association are the responsibility of the legal representatives of the Company. My responsibility is to express an opinion on the annual financial statements including the accounting records based on my audit.

I conducted my audit of the annual financial statements in accordance with section 317 HGB and generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW). Those standards require that I plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with standard accounting practices are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the accounting records and annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's legal representatives, as well as evaluating the overall presentation of the annual financial statements. I believe that my audit provides a reasonable basis for my opinion.

My audit has not led to any reservations.

In my opinion, based on the findings of my audit, the annual financial statements comply with legal requirements and the supplementary provisions of the articles of association and give a true and fair view of the Company's net assets, financial position and results of operations in accordance with standard accounting practices."

I make the above audit report concerning Reddy Holding GmbH in accordance with the legal provisions and the principles of proper reporting for audits of financial statements.

Any use of the above-mentioned audit opinion outside this audit report requires my prior consent. In the event of publications or dissemination of the financial statements in a form deviating from the confirmed version (including translation into other languages), it is first necessary to obtain my opinion again if my opinion is cited or reference is made to my audit; please see section 328 HGB.

Augsburg, April 27, 2017

Bernhard Hall
Auditor

ANNEXES

Reddy Holding GmbH, Augsburg

Assets

	Notes	March 31, 2017	March 31, 2016
		EUR	EUR
A. Fixed assets			
I. Financial assets			
Shares in affiliated companies	II.1	187.100.000,00	100.000,00
		187.100.000,00	100.000,00
B. Current assets			
I. Receivables and other assets	II.2		
1. Receivables from affiliated companies	II.3	29.002.719,38	8.494.568,25
2. Other receivables and assets	II.4	4.674,78	5.914,29
		29.007.394,16	8.500.482,54
II. Cash and bank balances		33.040,11	97.725,08
		29.040.434,27	8.598.207,62
C. Loss not covered by equity		0,00	122.519.626,80
		0,00	122.519.626,80
Total assets		216.140.434,27	131.217.834,42

Liabilities

	Notes	March 31, 2017	March 31, 2016
		EUR	EUR
A. Equity			
I. Subscribed capital		27.000,00	27.000,00
II. Capital reserves		300.000.000,00	300.000.000,00
III. Loss carry-forward		-422.546.626,80	-476.305.446,92
IV. Net income		222.853.398,47	53.758.820,12
V. Loss not covered by equity		0,00	122.519.626,80
		100.333.771,67	0,00
B. Provisions			
1. Provision for taxes	II.5	13.809.401,08	21.159.795,34
2. Other provisions		585.213,86	724.007,32
		14.394.614,94	21.883.802,66
C. Liabilities	II.6		
1. Trade payables		139.934,11	22.913,00
2. Liabilities to affiliated companies	II.7	99.559.807,90	108.140.942,64
3. Other liabilities	II.8	1.712.305,65	1.170.176,12
		101.412.047,66	109.334.031,76
Total liabilities		216.140.434,27	131.217.834,42

Reddy Holding GmbH, Augsburg

Income statement for the period

from April 1, 2016 to March 31, 2017

		Notes	2016/2017	2015/2016
			EUR	EUR
1.	Sales revenues	II.9	1.918.000,00	1.817.122,04
2.	Other operating income	II.10	187.318.445,04	168.057,19
			189.236.445,04	1.985.179,23
3.	Personnel expense			
	a) Wages and salaries		-1.298.634,33	-1.305.126,37
	b) Social security payments		-200.494,74	-185.060,68
4.	Other operating expenses		-518.580,78	-562.389,09
5.	Income from profit transfers		47.084.682,59	71.507.463,98
6.	Other interest and similar income		0,00	324,71
7.	Interest and similar expenses	II.11	-1.077.792,98	-1.694.771,78
8.	Taxes on income		-10.371.972,09	-15.984.994,49
9.	Other taxes		-254,24	-1.805,39
10.	**Net income**		222.853.398,47	53.758.820,12

improve comparability. Accordingly, other assets decreased by €9,165,648 from €9,171,562 to €5,914 and tax provisions decreased from €30,325,443 to €21,159,795 in the previous year.

II.5 Fiscal unity exists with the subsidiary betapharm Arzneimittel GmbH. Tax provisions include the expected tax liabilities of the last two fiscal years. The previous year's tax provisions have been adjusted; see point II.4.

II.6 All liabilities are due within one year.

II.7 Liabilities to affiliated companies include liabilities to shareholders in the amount of €98,749,722 (prior year: €108,083,575).

II.8 Other liabilities include tax liabilities in the amount of €1,711,481 (prior year: €1,166,326).

II.9 The Accounting Directive Implementation Act (BilRUG) redefined the term sales revenues. Under the new definition, all revenues from the sale and rental of products and from the provision of services qualify as sales revenues. This means that the two criteria "ordinary business activities" and "typical service offer", which were used for the previous definition of sales revenues, are no longer applicable. As a result, income from the provision of services in fiscal 2016/17 amounting to €1,918,000 (previous year: €1,817,122) is reported for the first time as sales revenues. This was recognized under other operating income in the previous year. To improve comparability, the previous year's presentation is adjusted to the requirements of the BilRUG. Sales revenues for the previous year correspondingly increase by €1,817,122 from €0 to €1,817,122; in contrast, other operating income is reduced from €1,985,179 to €168,057.

II.10 For comparability of other operating income with the previous year, please refer to the explanations under point II.9. Other operating income includes write-ups on shares in affiliated companies amounting to €187,000,000.

II.11 Interest expenditure includes interest paid to affiliated companies in the amount of €1,065,551 (prior year: €1,694,772).

III. Other notes

III.1 Reddy Holding GmbH with head office in Augsburg, Germany, is registered with the Augsburg District Court under HRB 21913.

III.2 Dr. Reddy's Laboratories Limited, Hyderabad, India, prepares the consolidated financial statements for the largest and smallest scope of consolidation.

NOTES TO THE FINANCIAL STATEMENTS
for fiscal 2016/2017

I. General comments on accounting and valuation methods

The accounting and valuation methods used are explained below.

I.1 Financial assets are recognized at cost. In addition, impairment charges for expected permanent impairment were made in the past in order to recognize them at the lower value attributable to them at the balance sheet date. If the reasons for an impairment no longer exist, the lower fair value may no longer be retained. Accordingly, a write-up was recognized in fiscal 2016/17.

I.2 Receivables and other assets are recognized at nominal value, taking into consideration all identifiable risks.

I.3 Cash balances at financial institutions are recognized at nominal value.

I.4 Equity capital is recognized at nominal value.

I.5 Other provisions are recognized at the settlement amounts deemed necessary on the basis of a reasonable commercial assessment and taking into consideration all identifiable risks.

I.6 Liabilities are recognized at their settlement amount.

I.7 To improve comparability, prior year figures have been adjusted and explained below in section II.

II. Notes to the balance sheet and income statement

II.1 In the past fiscal year, betapharm Arzneimittel GmbH was impacted by a write-up on the shares in affiliated companies amounting to €187,000,000 on account of the improved earnings prospects.

II.2 All receivables are due within one year.

II.3 Receivables from affiliated companies mainly comprise entitlements to profit transfer from a subsidiary.

II.4 Prepayments for corporation tax and trade tax were offset against tax provisions in the current fiscal year. Prior year figures have been adjusted to

III.3 Reddy Holding GmbH is incorporated in the consolidated financial statements of Dr. Reddy's Laboratories Limited. Reddy Holding GmbH is exempt from the preparation of consolidated financial statements and a group management report and avails itself of this simplification provision. The exempting consolidated financial statements and the exempting group management report have been prepared in accordance with the international accounting standards referred to in section 315a, para. 1 HGB. The relevant accounting, valuation and consolidation methods in the exempting consolidated financial statements differ only immaterially from those in German law.

III.4 An average of 21 employees were employed during the fiscal year.

III.5 There were no significant events that occurred after the end of the fiscal year and were not taken into account in either the income statement or the balance sheet.

Augsburg, April 27, 2017

....
Dr. Clemens J. Troche

CEO

Audit opinion

I have audited the annual financial statements consisting of the balance sheet, income statement and notes, including the accounting records of Reddy Holding GmbH, Augsburg, for the fiscal year from April 1, 2016, to March 31, 2017. The accounting methods and preparation of the annual financial statements under German commercial law and the supplementary provisions of the articles of association are the responsibility of the legal representatives of the Company. My responsibility is to express an opinion on the annual financial statements including the accounting records based on my audit.

I conducted my audit of the annual financial statements in accordance with section 317 HGB and generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW). Those standards require that I plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with standard accounting practices are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the accounting records and annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's legal representatives, as well as evaluating the overall presentation of the annual financial statements. I believe that my audit provides a reasonable basis for my opinion.

My audit has not led to any reservations.

In my opinion, based on the findings of my audit, the annual financial statements comply with legal requirements and the supplementary provisions of the articles of association and give a true and fair view of the Company's net assets, financial position and results of operations in accordance with standard accounting practices.

Augsburg, 27. April 2017

Bernhard Hall
Auditor

Independent Auditors' Report

To the Members of **Reddy Netherlands B.V.**

We have audited the accompanying financial statements of **Reddy Netherlands B.V.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

Reddy Netherlands B.V.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Financial assets				
Investments	2.1	1,958,211	1,958,211	1,958,211
Loans	2.2	781,381	847,092	1,540,526
		2,739,592	**2,805,303**	**3,498,737**
Current assets				
Financial assets				
Cash and cash equivalents	2.3	2,324	5,477	350,226
Other current assets	2.4	434	491	569
Total current assets		**2,758**	**5,968**	**350,795**
Total assets		**2,742,350**	**2,811,271**	**3,849,532**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.5	6,626	6,626	6,626
Other equity				
Share premium		3,013,156	3,013,156	4,251,086
Retained earnings		(300,023)	(262,035)	(462,157)
Total equity		**2,719,759**	**2,757,747**	**3,795,555**
Non current liabilities				
Financial Liabilities				
Borrowings	2.6	21,793	27,154	32,576
		21,793	**27,154**	**32,576**
Current liabilities				
Financial Liabilities				
Other current financial liabilities	2.7	798	977	3,125
Liabilities for current tax (net)		-	25,393	18,276
Total Liabilities		**798**	**26,370**	**21,401**
Total equity and liabilities		**2,742,350**	**2,811,271**	**3,849,532**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Reddy Netherlands B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Continuing operations			
Other Income	2.8	10,386	212,052
Total Income		**10,386**	**212,052**
Expenses			
Other expenses	2.9	73,825	7,192
Total expense		**73,825**	**7,192**
Loss/(Profit) before tax		**(63,439)**	**204,860**
Income tax (benefit)/expense	2.10	(25,451)	4,738
Loss/(Profit) for the year		**(37,988)**	**200,122**
Earnings per share:			
Basic - Par value EUR 50 per share		(11,871.25)	62,538.04
Diluted - Par value EUR 50 per share		(11,871.25)	62,538.04
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Reddy Netherlands B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

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 2017	For the year ended 31 March 2016
Operating activities		
Profit/(loss) before taxation	(63,439)	204,860
Adjustments to reconcile profit before tax to net cash flows:		
Interest Income	(10,374)	(28,768)
Net foreign exchange differences	66,260	(169,891)
Operating cash flows before working capital changes	**(7,553)**	**6,201**
Working capital adjustments:		
Increase/(Decrease) in other assets & liabilities,net	(2,669)	(2,457)
	(10,222)	**3,744**
Income tax paid	-	-
Net cash flows from operating activities	**(10,222)**	**3,744**
Net cash flows used in investing activities		
Interest received	-	54,813
Loans and advances received/(repaid) by wholly owned subsidiaries and other group companies,net of interest	7,356	817,016
	7,356	**871,829**
Net cash flows from/ (used in) financing activities		
Redemption of share premium to Dr.Reddy's Laboratories SA	-	(1,237,930)
Proceeds from/(repayment of) long term borrowings,net		(9,161)
	-	**(1,247,091)**
Net increase / (decrease) in cash and cash equivalents	(2,866)	(371,518)
Cash and cash equivalents at the beginning of the year	5,477	350,226
Effect of foreign exchange gain/(loss) on cash and cash equivalents	(287)	26,769
Cash and cash equivalents at the end of the year	**2,324**	**5,477**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	2,324	5,477
Cash and bank balances at the end of the year	**2,324**	**5,477**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Reddy Netherlands B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

Reddy Netherlands B.V.

Statement of Changes in Equity

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

Particulars	Share Capital		Reserves and Surplus		Total Equity
	Shares	Amount	Share premium	Retained Earnings	
Balance as of 1 April 2015	**3,200**	**6,626**	**4,251,086**	**(462,157)**	**3,795,555**
Shares issued during the year	-	-	-	-	-
Redemption of share premium to Holding company	-	-	(1,237,930)		(1,237,930)
Profit for the period	-	-	-	200,122	200,122
Balance as of 31 March 2016	**3,200**	**6,626**	**3,013,156**	**(262,035)**	**2,757,747**
Loss for the period	-	-	-	(37,988)	(37,988)
Balance as of 31 March 2017	**3,200**	**6,626**	**3,013,156**	**(300,023)**	**2,719,759**

As per our report of even date attached

for and on behalf of the Board of Directors of **Reddy Netherlands B.V.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2017

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)

These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).

Note 1.4 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:
Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.
Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.
Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.
When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.
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.
Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.
Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.
Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.
Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years

Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Reddy Netherlands B.V.
Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern
The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions
a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest income from holding company and other group companies:		
Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.)	10,374	24,537

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

Particulars	As at 31 March 2017	As at 31 March 2016
Due from holding company and other group companies(included in loans and advances):		
Dr. Reddy's Research and development B.V.(formerly OctoPlus B.V.)	781,381	847,092
Due to holding company and other group companies(included in non current borrowings):		
Reddy Antilles N.V.	21,793	27,154

1.3 Provisions, Contingent Liabilities and Contingent Assets
Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.4 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.5 The company, incorporated in Netherlands, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

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 the financial statements

A. Financial Assets

Investments carried at cost	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.1 : Investment in Subsidiaries			
Octoplus B.V.	1,958,211	1,958,211	1,958,211
	1,958,211	**1,958,211**	**1,958,211**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Loans and Advances			
Loans and advances to wholly owned subsidiaries & other group companies	781,381	847,092	1,540,526
	781,381	**847,092**	**1,540,526**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	2,324	5,477	350,226
Cash and cash equivalents	**2,324**	**5,477**	**350,226**

B. Other Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Other assets			
Prepaid expenses	220	219	-
Balances with statutory agencies	214	272	460
Interest receivable	-	-	109
	434	**491**	**569**

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 the financial statements

2.5 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
3,200 (31 March 2016: 3,200; 1 April 2015: 3,200) shares of Euro 50 each	6,626	6,626	6,626
Issued equity capital			
3,200 (31 March 2016: 3,200; 1 April 2015: 3,200) shares of Euro 50 each	6,626	6,626	6,626
Subscribed and fully paid-up			
3,200 (31 March 2016: 3,200; 1 April 2015: 3,200) shares of Euro 50 each	6,626	6,626	6,626
	6,626	**6,626**	**6,626**

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

Particulars	**As at 31 March 2017**		**As at 31 March 2016**		**As at 1 April 2015**	
	No. of equity shares	**Amount**	**No. of equity shares**	**Amount**	**No. of equity shares**	**Amount**
Number of shares outstanding at the beginning of the year	3,200	6,626	3,200	6,626	3,200	6,626
Add:Shares issued during the year	-	-	-	-	-	-
Number of shares outstanding at the end of the year	**3,200**	**6,626**	**3,200**	**6,626**	**3,200**	**6,626**

(b) **Terms / rights attached to the 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 2017**		**As at 31 March 2016**		**As at 1 April 2015**	
	No. of equity shares held	**% holding in the class**	**No. of equity shares held**	**% holding in the class**	**No. of equity shares held**	**% holding in the class**
Dr. Reddy's Laboratories SA	3,200	100%	3,200	100%	3,200	100%

Financial Liabilities

2.6 : Borrowings

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
From other parties			
Long term borrowings from holding company	21,793	27,154	32,576
	21,793	**27,154**	**32,576**

2.7 : Other financial liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Other current financial liabilities			
Accrued expenses	798	977	3,125
	798	**977**	**3,125**

2.8 : Other Income

	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest Income	10,374	28,768
Foreign exchange gain,net	-	183,264
Other operating revenue	12	20
	10,386	**212,052**

2.9 : Other expenses

	For the year ended 31 March 2017	For the year ended 31 March 2016
Foreign exchange loss,net	68,712	-
Legal and professional	4,991	7,092
Other general expenses	122	100
	73,825	**7,192**

2.10 : Tax expense

	For the year ended 31 March 2017	For the year ended 31 March 2016
Current tax (benefit)/expense	(25,451)	4,738
	(25,451)	**4,738**

REDDY PHARMA IBERIA, S.A. SOLE SHAREHOLDER

REPORT FOR YEAR

ENDING

31 March 2017

REDDY PHARMA IBERIA, S.A.U.
ABRIDGED BALANCE SHEET AS OF 31 MARCH 2017 AND 2016
(Expressed in Euros)

ASSET	Note	31/03/2017	31/03/2016
NON-CURRENT ASSETS		**2,713.34**	**1,211.96**
Tangible fixed assets	**5**	**2,713.34**	**1,211.96**
CURRENT ASSETS		**987,213.48**	**782,046.92**
Stock	**6**	**353,464.26**	**0.00**
Trade and other receivables	**7**	**60,763.76**	**76,311.95**
Trade Receivables for Sales and Services		60,226.68	76,101.04
Other receivables from Public Administrations	**10**	537.08	210.91
Cash and cash equivalents		**572,985.46**	**705,734.97**
Cash		572,985.46	705,734.97
TOTAL ASSETS		**989,926.82**	**783,258.88**

NET WORTH AND LIABILITIES	Note	31/03/2017	31/03/2016
NET WORTH		**573,369.97**	**727,408.50**
Equity	**9**	**573,369.97**	**727,408.50**
Capital	**9**	**9,066,000.00**	**9,066,000.00**
Subscribed capital		9,066,000.00	9,066,000.00
Reserves	**9**	**(50,487.53)**	**(50,487.53)**
Legal and statutory		(50,487.53)	(50,487.53)
Results from previous years	**9**	**(8,288,103.98)**	**(8,319,266.88)**
Financial Year Results	**3**	**(154,038.52)**	**31,162.91**
CURRENT LIABILITIES		**416,556.85**	**55,850.39**
Short-term provisions	**12**	**0.00**	**10,120.00**
Trade and other debts	**8**	**416,556.85**	**45,730.39**
Providers		38,213.73	16,190.07
Providers, group and associated companies		335,106.01	0.00
Other creditors		23,000.00	8,601.37
Other debts to Public Administrations	**10**	20,237.11	20,938.95
TOTAL NET WORTH AND LIABILITIES		**989,926.82**	**783,258.89**

REDDY PHARMA IBERIA, S.A.U.

ABRIDGED PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED 31 MARCH 2017 AND 2016

(Expressed in Euros)

	Note	31/03/2017	31/03/2016
ONGOING OPERATIONS			
Net revenues	**11**	**217,290.81**	**229,225.68**
Sales		8,700.68	0.00
Supply of services		208,590.13	229,225.68
Supplies	**11**	**(12,421.75)**	**0.00**
Change in inventory		(12,421.75)	0.00
Staff costs	**11**	**(222,602.07)**	**(124,944.06)**
Wages, salaries and similar expenses		(184,001.21)	(77,968.06)
Social security payable by the company		(38,600.86)	(46,976.00)
Other operating costs	**11**	**(135,335.72)**	**(72,923.29)**
Depreciation of fixed assets	**5 and 11**	**(966.72)**	**(195.42)**
OPERATING REVENUE		**(154,035.45)**	**31,162.91**
Financial income		**(3.07)**	**0.00**
From tradable securities and other financial instruments		(3.07)	0.00
From third parties		(3.07)	0.00
FINANCIAL RESULT		**(3.07)**	**0.00**
RESULT BEFORE TAXES		**(154,038.52)**	**31,162.91**
Tax on profits			
FINANCIAL YEAR RESULTS FROM ONGOING OPERATIONS		**(154,038.52)**	**31,162.91**
FINANCIAL YEAR RESULTS	**3**	**(154,038.52)**	**31,162.91**

REDDY PHARMA IBERIA, S.A.U.

STATEMENT OF CHANGES IN EQUITY AS OF 31 MARCH 2017 AND 2016

(Expressed in Euros)

A) ABBREVIATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Note	Year ended 31 March 2017	2016
Result of the profit and loss account	**3**	**(154,038.52)**	**31,162.91**
Revenues and expenses recognised directly in equity		-	-
Total revenues and expenses recognised directly in equity		-	-
Total transfers to the profit and loss account		-	-
		-	**-**
TOTAL RECOGNISED INCOME AND EXPENSE	**3**	**(154,038.52)**	**31,162.91**

B) ABBREVIATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital (Note 9)	Reserves (Note 9)	Results from previous years (Note 9)	Financial Year Results (Note 3)	TOTAL
BALANCE AS OF 31 MARCH 2015	**9,066,000.00**	**(50,487.53)**	**(8,515,952.06)**	**196,685.18**	**696,245.59**
Total recognised income and expense				31,162.91	31,162.91
Other changes in equity			196,685.18	(196,685.18)	0
BALANCE AS OF 31 MARCH 2016	**9,066,000.00**	**(50,487.53)**	**(8,319,266.88)**	**31,162.91**	**727,408.50**
Total recognised income and expense				(154,038.52)	**(154,038.52)**
Other changes in equity			31,162.91	(31,162.91)	
BALANCE AS OF 31 MARCH 2017	**9,066,000.00**	**(50,487.53)**	**(8,288,103.98)**	**(154,038.52)**	**573,369.97**

REDDY PHARMA IBERIA, S.A. SOLE SHAREHOLDER

REPORT OF THE ABBREVIATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

1. BUSINESS ACTIVITY

REDDY PHARMA IBERIA, S.A.U, was constituted as a limited company on 18 May 2006. Since 8 September 2014 its registered office has been in Madrid, Avenida de Aragón, 330, Edificio 5, planta 3ª.

Its corporate purpose is:

- The manufacture, sale, marketing, intermediation, import and export of all nature of chemical products, medicines, pharmaceuticals, insecticides, biopharmaceuticals, foodstuffs, dyestuffs and colourants, whether as raw materials, intermediate products or finished products, as well as dermocosmetic products and all types of equipment, instruments and accessories, surgical, medical, dental and scientific, diagnostic and diagnostic reagent equipment, aids and accessories for health care, health care products and instruments, as well as healthcare research and development including diagnostic systems.

- Research and development in relation to the products mentioned in the preceding paragraph, including without limitation the carrying out of clinical trials for the development of new products and for the development and maintenance of test centres and laboratories for use by themselves or others.

The Company is considered to be a Sociedad Anónima Unipersonal (Sole Shareholder Limited Company), recorded as such in the Trade Register of Madrid, indicating the identity of its Sole Shareholder.
The Company is part of the group of companies headed by its Sole Shareholder, Dr. Reddy's Laboratories Limited based in India.

Given the activities to which the company is dedicated, it does not have liabilities, expenses, assets, nor provisions and contingencies of an environmental nature that could be significant in relation to the equity, the financial position and the results thereof. For this reason, specific environmental information breakdowns are not included in these notes.

2. BASIS FOR PRESENTATION OF THE ANNUAL ACCOUNTS

2.1. Fair presentation

The annual accounts have been prepared in accordance with the Plan General de Contabilidad (General Accounting Plan) approved by Royal Decree 1514/2007 of 16 November, modified by Royal Decree 1159/2010 of 17 September, modified by Royal Decree 602/2016 of 2 December, as well as the other current commercial legislation.

These annual accounts have been obtained from the accounting records of the Company, held for the purpose of management control, which serve to update the mandatory official accounting books, in accordance with current commercial and tax legislation, in order to show the true equity, financial position and results of the Company. These annual accounts, obtained from such books and which have been formulated by the Board of Directors, will be submitted for approval by the General Meeting of Shareholders.

The amounts stated in the documents comprising these accounts (the balance sheet, profit and loss account, statement of changes in equity and memorandum) are expressed in Euros.

2.2. Accounting principles

The Company has applied the current legal provisions regarding accounting in order to show a true and fair view of the Company's equity, financial position and results, thus no non-mandatory accounting principles have been applied.

2.3. Critical aspects of the valuation and estimation of uncertainty

The Company has prepared its financial statements in accordance with the principle of a company in operation, and at the end of the year, subject to dissolution. In order that there is no significant risk that may involve significant changes in the value of assets or liabilities in the following year, it is financed by the sole shareholder.

2.4. Comparison of information

The Company presents its annual accounts for the year ended 31 March 2017 in accordance with the structure established in the General Accounting Plan under Royal Decree 1514/2007 of 16 November, as amended by Royal Decree 1159 / 2010 of 17 September. Likewise, the amounts for the preceding year are shown with the same balance sheet and profit and loss account structure, in accordance with current legislation.

In compliance with the conditions established in articles 257, 258 and 261 of Royal Legislative Decree

1/2010 of 2 July, approving the Ley de Sociedades de Capital (Capital Companies Act), the administrators present the Annual Accounts in abbreviated form.

2.5. Grouping of items

There is no breakdown of items that have been grouped in the Balance Sheet, the Profit and Loss Account or in the Statement of Changes in Shareholders' Equity.

2.6. Elements included in several items

There are no equity items of a similar nature whose amount is recorded in two or more items of the Balance Sheet.

2.7. Changes in accounting criteria

No adjustments have been made for changes in accounting criteria during the year.

2.8. Error correction

No correction adjustments were made during the period.

3. APPLICATION OF RESULTS

The proposal of distribution of profits formulated by the Board of Directors of the Company, for approval by the General Meeting of Shareholders, is the following:

BASIS OF DISTRIBUTION	Euros
Balance of the profit and loss account	(154,038.52)
TOTAL	(154,038.52)
APPLICATION	
To negative results	(154,038.52)
TOTAL	(154,038.52)

4. VALUATION RULES

The valuation rules used by the Company in the preparation of its annual accounts for the year ended 31 March 2017, in accordance with those established by the General Accounting Plan, were as follows:

4.1. Tangible fixed assets

The assets included in tangible fixed assets are valued at their purchase price, which includes any additional expenses incurred until the asset is placed into operation; financial expenses are not included.

Repairs that do not extend the useful life as well as maintenance expenses are charged directly to the profit and loss account. The costs of extension or improvement that give rise to a longer duration of the asset are capitalised as a greater value of that asset.
The annual depreciation allowance is calculated by the straight-line method based on the estimated useful life of the different assets, which is detailed as follows:

Data processing equipment 25%

Tangible fixed assets are depreciated from the month following acquisition.

4.2. Share capital

Ordinary shares are classified as equity. There is no other type of shares.

Expenses directly attributable to the issuance or acquisition of new shares will be recorded in equity as a deduction from the amount of those shares.

If the company acquires or sells its own shares, the amount paid or received for the shares is recognised directly in equity. No loss or profit is recognised in the income for the year resulting from the purchase, sale, issue or depreciation of its own equity instruments.

4.3. Financial instruments

Debits and credits arising from trade operations of the company, for both debtors and creditors, are recorded at their nominal value and are classified short or long term according to maturity, depending on whether they are less or more than one year respectively.

Financial investments are recorded at acquisition cost, reduced, if applicable, by the amount necessary to recognise permanent impairments, comparing them with market value at the closing date.

Classification of current and non-current debts. In the accompanying balance sheet, debts are classified according to their maturities, i.e. current debts are those with maturities of twelve months or less and non-current debts are those maturing after that period..

4.4. Foreign currency transactions

The translation into Euros of debits and credits expressed in foreign currency is carried out at the exchange rate prevailing at the time of the corresponding transaction, being valued at the end of the year in accordance with the exchange rate prevailing at that time.

Unrealised gains and losses arising from exchange rate fluctuations between the transaction accounting date and the year-end date are recorded in the income statement.

4.5. Tax on profits

The income tax expense for the year is calculated on the basis of the economic result before taxes, increased or decreased by permanent and temporary differences as appropriate, obtaining the tax result, which is the taxable income, and reduced for the bonuses and deductions applied in the quota excluding the retentions and payments on account.
The company has generated a negative taxable income, no expense has been recorded for corporate income tax. In accordance with the principle of prudence, the tax credit is not recorded.

4.6. Income and expenses

Income and expenses are recognised on an accrual basis, that is, on the basis of the actual flow of goods and services they represent and regardless of when the monetary or financial flow derived from them occurs.
However, following the criteria of prudence, the company only records the profits made at year-end, while foreseeable risks and possible losses arising from the year or the previous one are accounted for as soon as they are known.

4.7. Staff costs

Staff costs are recorded at their gross amount.

4.8. Transactions between related parties

Transactions with related parties correspond to normal trade operations and are recorded as such and do not accrue interest.

5. TANGIBLE FIXED ASSETS

The detail and composition of the items that make up the Tangible Fixed Assets at the close of the years ended 31 March 2017 and 2016 are as follows:

	Balance 31/03/2016	Acquisitions	Disposals	Balance 31/03/2017
Cost				
Data processing equipment	1,407.38	2,468.10	0.00	3,875.48
Total Cost	**1,407.38**	**2,468.10**	**0.00**	**3,875.48**
Accumulated Depreciation				
Data processing equipment	(195.42)	(966.72)	0.00	-1,162.14
Total Accumulated Depreciation	**(195.42)**	**(966.72)**	**0.00**	**-1,162.14**
Total Net Value	**1,211.96**			**2,713.34**

	Balance 31/03/2015	Acquisitions	Disposals	Balance 31/03/2016
Cost				
Data processing equipment	0.00	1,407.38	0.00	1,407.38
Total Cost	**0.00**	**1,407.38**	**0.00**	**1,407.38**
Accumulated Depreciation				
Data processing equipment	0.00	(195.42)	0.00	-195.42
Total Accumulated Depreciation	**0.00**	**(195.42)**	**0.00**	**-195.42**
Total Net Value	**0.00**			**1,211.96**

6. STOCK

The detail of stock as of 31 March 2017 is as follows:

Account Nº	Name	Balance 31/03/2017
300	Commercial stocks	353,464.26
	Total	**353,464.26**

7. FINANCIAL ASSETS

The breakdown of this rubric at 31 March 2017 and 2016 is as follows:

CLASSES	LONG-TERM FINANCIAL INSTRUMENTS						SHORT-TERM FINANCIAL INSTRUMENTS						TOTAL	
	EQUITY INSTRUMENTS		DEBT SECURITIES		OTHER CREDIT DERIVATIVES		EQUITY INSTRUMENTS		DEBT SECURITIES		OTHER CREDIT DERIVATIVES			
CATEGORIES	FY 16-17	FY 15-16	FY 16-17	FY 15-16	FY 16-17	FY 15-16	FY 16-17	FY 15-16	FY 16-17	FY 15-16	FY 16-17	FY 15-16	FY 16-17	FY 15-16
Fair value assets with changes in P & L	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments held until maturity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans and receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	60,226.68	76,311.95	60,226.68	76,311.95
I. Long-term financial investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Trade and other receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	60,226.68	76,311.95	60,226.68	76,311.95
III. Short-term financial investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Short-term accruals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
V. Other receivables from Public Administrations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	537.08	210.91	537.08	210.91
Assets available for sale	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hedging derivatives	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**60,763.76**	**76,522.86**	**60,763.76**	**76,522.86**

8. FINANCIAL LIABILITIES

The breakdown of this rubric at 31 March 2017 and 2016 is as follows:

CLASSES	LONG-TERM FINANCIAL INSTRUMENTS						SHORT-TERM FINANCIAL INSTRUMENTS						TOTAL	
	DEBTS WITH CREDIT INSTITUTIONS		DEBENTURES AND OTHER MARKETABLE SECURITIES		OTHER DERIVATIVES		DEBTS WITH CREDIT INSTITUTIONS		DEBENTURES AND OTHER MARKETABLE SECURITIES		OTHER DERIVATIVES			
CATEGORIES	FY 16-17	FY 15-16	FY 16-17	FY 15-16	FY 16-17	FY 15-16	FY 16-17	FY 15-16	FY 16-17	FY 15-16	FY 16-17	FY 15-16	FY 16-17	FY 15-16
Debits and payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	416,556.85	55,850.38	416,556.85	55,850.38
I. Short-term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,120.00	0.00	10,120.00
II. Short-term debts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
III. Short-term debts with group companies and associates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Providers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14,471.60	0.00	14,471.60
V. Providers, group and associated companies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	335,106.01	0.00	335,106.01	0.00
VI. Various creditors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	38,213.73	1,718.47	38,213.73	1,718.47
VII. Staff (remuneration pending payment)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23,000.00	8,601.37	23,000.00	8,601.37
VIII. Current tax liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,524.03	0.00	19,524.03
IX. Other debts to Public Administrations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20,237.11	1,414.92	20,237.11	1,414.92
Fair value assets with changes in P & L	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**416,556.85**	**55,850.38**	**416,556.85**	**55,850.38**

9. EQUITY

The balances and movements of equity during the year ended 31 March 2017 were as follows:

Euros	Capital Subscribed	Reserves	Results previous financial	Result Financial	Total
Balance as at 31/03/2016	9,066,000.00	(50,487.53)	(8,319,266.88)	31,162.91	727,408.50
Capital Increase					0.00
Results from previous years			31,162.91	(31,162.91)	0.00
Result FY 2016-2017				(154,038.52)	(154,038.52)
Balance as at 31/03/2017	9,066,000.00	(50,487.53)	(8,288,103.97)	(154,038.52)	573,369.98

As of 31 March 2017 the Company is in a state of dissolution, in accordance with art. Nº 363.1.d of Royal Legislative Decree 1/2010 of 2 July, whereby a company is in such a state when losses reduce the net assets to less than half the capital stock.
Also, it is necessary to consider art. 327 of Royal Legislative Decree 1/2010 of 2 July, which says that the company must obligatorily reduce capital when the losses have reduced the equity below two thirds of the capital figure and a corporate year has passed without having recovered the net equity.
For these reasons, in compliance with art. 365 of the aforementioned regulatory body, the Board of Directors must convene a General Meeting of Shareholders within a maximum period of 2 months from the date the accounts are prepared, agreeing to adopt the measures necessary to restore its equity balance, based on the commitment of the parent company to send sufficient funds in the next fiscal year or to reduce share capital to offset accumulated losses, with the objective of ensuring that the amount of the Net Equity represents at least 50.01% of share capital, as required by current commercial legislation.

The *subscribed share capital* at 31 March 2014 consisted of nine million and sixty-six thousand shares (9,066,000) with nominal value of one (1) Euro each, accumulative and indivisible. The share capital is fully disbursed.

At the time of incorporation on 18 May 2006, the subscribed share capital consisted of sixty thousand one hundred and ten shares (60,110) with nominal value of one (1) Euro each, accumulative and indivisible.
On the same date, it was decided to increase the share capital in the amount of two million five hundred and forty-nine thousand eight hundred and ninety (2,549,890) Euros, reaching the amount of 2,610,000 Euros, through the issuance of 2,549,890 new shares with nominal value of one (1) Euro each, accumulative and indivisible.

Subsequently, in a deed dated 15 September 2006, the sole shareholder exercised their power

to perform a new capital increase by issuing one million nine hundred and fifty-six thousand (1,956,000) shares, with nominal value of one
(1) Euro each, numbered consecutively, accumulative and indivisible

On 13 February 2007, the sole shareholder agreed to perform a new capital increase by issuing one million (1,000,000) shares with nominal value of one (1) Euro each, numbered consecutively, accumulative and indivisible.

Finally, on 18 March 2013, the sole shareholder decided to carry out a new capital increase by issuing three million five hundred thousand (3,500,000) shares with nominal value of one (1) Euro each, of the same class and series as the pre-existing ones and numbered consecutively.

10. PUBLIC ADMINISTRATIONS AND FISCAL POSITION

10.1. Public Administrations

The breakdown of the balances related to tax assets and liabilities at the end of the year ended 31 March 2017 and 2016 is as follows:

	Balance 31/03/2017	**Balance 31/03/2016**
1. Other debts to Public Administrations	**20,237.11**	**20,938.95**
a) Personal Income Tax payable to Tax Office	16,109.43	11,189.06
b) Value Added Tax payable to Tax Office	0.00	8,334.97
c) Payable to Social Security	4,127.68	1,414.92
2. Other receivables from Public Administrations	**537.08**	**210.91**
a) Value Added Tax receivable from Tax Office	537.08	0.00
b) Other Tax Office Items	0.00	210.91

10.2. Fiscal Position

In accordance with current legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or the corresponding statute of limitation has elapsed.

Corporate income tax is calculated on the basis of the economic or accounting result obtained by application of generally accepted accounting principles, increased or decreased by permanent and temporary differences as appropriate, obtaining the fiscal position or taxable income. In Fiscal Year 2016-17, the accounting result does not coincide with the taxable income.

The Company maintains the last four fiscal years for inspection by the tax authorities for all applicable taxes. It is not expected that significant liabilities will be incurred resulting from the review of said fiscal years by the tax authorities, for which reason no provision has been established for this purpose.

The reconciliation between the accounting profit and the taxable income as of 31 March 2017 and 2016, will be as follows:

		Euros	
		Balance 31/03/2017	Balance 31/03/2016
Accounting profit before tax		(154,038.52)	31,162.91
Corrections to profit and loss account result		14,640.31	7,451.34
	Increases	23,241.68	8,650.22
	Decreases	(8,601.37)	(1,198.88)
Taxable income before offset for negative taxable income :		(139,398.21)	38,614.25
Taxable income offset for negative taxable income from previous years		0.00	(38,614.25)
Taxable income for the year		(139,398.21)	0.00

At the end of the year ended 31 March 2017, the Company has negative taxable income pending compensation in the amount of 7,856,090.34 Euros, detailed as follows:

Financial year	Negative taxable income pending
2006	53,129.45
2007	2,370,736.64
2008	2,787,415.66
2009	2,505,410.38
2017	139,398.21
TOTAL	**7,856,090.34**

In accordance with the changes introduced by Law 27/2014 of 27 November on Corporate Income Tax, there is no time limit for the compensation of negative taxable income that has been subject to liquidation or self-assessment. Likewise, a general quantitative limit of compensation is established for fiscal years beginning on or after 1 January 2016, which amounts to 70% of the previous taxable income (60% in 2017), and in any case may compensate a minimum of one million Euros.

11. INCOME AND EXPENSES

The composition of certain rubrics and movements during the year ended 31 March 2017 and 2016 were as follows:

Details of the profit and loss account	FY 2016 -17	FY 2015 -16
1. Revenues	217,290.81	229,225.68
a) Sale of goods	8,700.68	0.00
b) Provision of services	208,590.13	229,225.68
2. Consumption of goods	12,421.75	0.00
a) Purchases, net of returns and any discount:	0.00	0.00
- national	0.00	0.00
- intra-community acquisitions	0.00	0.00
- imports	0.00	0.00
b) Stock variations	12,421.75	0.00
3. Consumption of raw materials and other consumables	0.00	0.00
a) Purchases, net of returns and any discount:	0.00	0.00
- national	0.00	0.00
- intra-community acquisitions	0.00	0.00
- imports	0.00	0.00
b) Stock variations	0.00	0.00
4. Social expenses	222,602.07	124,944.06
a) wages and salaries	184,001.21	70,901.29
b) Social Security payable by the company	38,600.86	7,066.77
c) Contributions and provisions for pensions	0.00	0.00
d) Other social expenses	0.00	46,976.00
5. Other operating costs	135,335.72	40,945.75
a) Losses and impairment of commercial operations	0.00	0.00
b) Other operating costs	135,335.72	40,945.75
6. Depreciation of fixed assets	966.72	195.42
7. Earnings originating outside the normal activity of the company included in "other results"	0.00	0.00

12. PROVISIONS AND CONTINGENCIES

For the provisions recognised in the balance sheet, the opening balance, the provisions and the final balance are as follows:

Account Nº	Name	Balance 31/03/2016	Inc./Ampl (+) Red./Trans. (-)	Balance 31/03/2017
499	Trade provisions	(10,120.00)	(10,120.00)	0.00

Provisions for previous years has been reclassified as of 31 March 2017 for various creditors as invoices pending receipt, to describe their true nature.

13. TRANSACTIONS WITH RELATED PARTIES

The company does not own, directly or indirectly, interests in other companies.

In the period from 1 April 2016 to 31 March 2017, the company has not received invoices from the parent company, Dr. Reddy's Laboratories Limited (India), for the provision of services, while the amount for the purchase of goods is 365,885.91 Euros. In the previous year no invoices for services or purchases were received.

Similarly, the Company has not paid any amount to the Swiss company Dr. Reddy's Swiss in the year ended 31 March 2017 and 2016.

Furthermore, during the year ended 31 March 2017 and 2016, the members of the management body have not received any remuneration.

There are no obligations with members of the management body in matters of pensions, life insurance premiums, advances or credits, or for any other concept as of 31 March 2017 and 2016.

The management body of the company does not have any matters on which to report in relation to what is established in articles 229 and 230 of the Capital Companies Act, nor do they maintain positions of responsibility in companies within the same sector, except in those within the group.

14. ENVIRONMENTAL INFORMATION

As of 31 March 2017 and 2016, there are no assets dedicated to the protection and improvement of the environment, nor have expenses of this nature been incurred during the year. Likewise, during the year ended 31 March 2017 and 2016 no environmental subsidies have been received.

The management body estimates that there are no significant contingencies related to the protection and improvement of the environment, and does not consider it necessary to record any provision for environmental risks and expenses at 31 March 2017 and 2016.

15. INFORMATION ON GREENHOUSE GAS EMISSION RIGHTS

In compliance with the changes resulting from the new general accounting plan and the ministerial order of 28 January 2009 (BOE, 10 February 2009) and Resolution of 6 April 2010 (BOE 84 of 7 April 2010), regarding the issue of greenhouse gas emission allowances, it is expressly stated that there are no items of an environmental nature, in particular greenhouse gas emission rights.

16. OTHER INFORMATION

The average number of persons employed during the year, expressed by categories, is as follows:

Average number of persons employed during the year by category	FY 2016 -17	FY 2015 -16
Senior Executives	0	0
Other executive personnel	3	0.58
Scientific, intellectual and support technicians and professionals	0	0
Administrative employees	0	0
Commercial, vendors and similar	0	0
Other professional staff	0	0
Non-professional staff	0	0
TOTAL AVERAGE EMPLOYEES	**3**	**0.58**

17. INFORMATION ON DEFERRED PAYMENTS TO PROVIDERS

Below is the information required by the Third Additional Provision of Law 15/2010 of 5 July (modified through the second final provision of Law 31/2014of 3 December) prepared in accordance with the ICAC (Institute of Accounting and Account Audits) Resolution of 29 January 2016, on the information to be included in the annual accounts in relation to the average period of payment to providers in commercial operations.

	FY 2016 -17	**FY 2015 -16**
	Days	
Average period of payment to providers	30	30

According to the ICAC Resolution, the calculation of the average period of payment to providers has taken into account the commercial operations corresponding to the delivery of goods or services rendered from the date of entry into force of Law 31/2014 of 3 December.

The following are considered suppliers, for the exclusive purpose of providing the information provided in this Resolution, to commercial creditors for debts with providers of goods or services, included in the items "Providers", "Various creditors" and "Providers, group and associated companies" of the current liability of the accompanying abbreviated balance sheet.

"Average period of payment to providers" means the period that elapses from the delivery of the goods or the provision of the services by the supplier and the material payment of the transaction.

FORMULATION OF THE ABBREVIATED ANNUAL ACCOUNTS ENDED 31 MARCH 2017

The Board of Directors of the Company "REDDY PHARMA IBERIA, S.A.U.", on 30 April 2017, signs the Annual Accounts for the year ended 31 March 2017.

Signature: Clemens Troche
Director

Signature: Sameer Sudhakar Natu
President

Signature: Subir Kohli
Director

Signature: Venkata Narasimhan Mannam
Director

Signature: Antonio Anguera Vila
Director

19. EVENTS OCCURRING AFTER CLOSURE

The Directors are not aware of any events occurring after 31 March 2017 and up to the date of preparation of these Annual Accounts that could significantly affect said accounts or should be stated therein to provide adequate understanding.

Reddy Pharma S.r.l. (with a sole shareholder)

Legal Seat in Milan - Piazza Santa Maria Beltrade, n. 1
Share Capital EUR 30.000,00 i.v. - fully paid - in
Fiscal code and Milan Registry of Trading Companies
fiscal code and VAT numbert: 05464490969
Registered to Milan CCIAA n. 1823467

Financial Statements as of March 31, 2017

(Drawn up pursuant art. 2435-bis C.C.)

(amounts are in Euro)

Balance Sheet

Assets		31.03.2017	31.03.2016
B) Fixed assets			
I.	*Intangible assets*	0	1.716
II.	*Tangible assets*	1.745	3.263
III.	*Financial assets*	770.000	300.000
Total fixed assets		771.745	304.979
C) Current assets			
I.	*Stock*		
	Finished goods	0	0
II.			
	Accounts receivable		
	- falling due within one year	13.115	95.595
	- falling due after more than one year	0	0
	Total accounts receivable	13.115	95.595
IV.	*Liquid assets*	34.535	12.850
Total current assets		47.650	108.445
D) Accrued income and pre payments			
	- others	355	231
		355	231
Total assets		819.750	413.655

Liabilities		31.03.2017	31.03.2016
A) Shareholders equity			
I.	Share Capital	30.000	1.034.535
IV.	Legal reserve	0	0
VII.	Other reserves	797.837	0
VIII.	Retained earnings / (loss carried forward)	0	-542.578
IX.	Operating profit (loss)	(18.962)	(114.120)
Total		808.875	377.837
C) Provision for employees' leaving indemnity		0	0
D) Accounts payable			
	- falling due within one year	10.875	35.818
	- falling due after more than one year	0	0
	Total acconts payable	10.875	35.818
E) Accrued liabilities and deferred income			
	- miscellaneous	0	0
		0	0
Total liabilities		819.750	413.655

Profit and loss account

		31.03.2017	31.03.2016
A) Revenues			
1)	*Sales and services*	0	0
5)	*Miscellaneous revenues*	544	201
Totale valore della produzione		544	201
B) Expenses			
6)	*For raw materials, subsidiarymaterials, consumables and go*	0	0
7)	*Services*	15.028	81.171
8)	*Rent/Lease*	0	25.451
9)	*Personnel*		
	a) Salary and wages	0	0
	b) Social security contributions	0	0
	c) Employees' leaving indemnity	0	0
		15.028	0
10)	*Depreciation and write-downs*		
	a) Depreciation of intangible assets	1.716	1.716
	b) Depreciation of tangible assets	1.517	1.624
		3.234	3.340
14)	*Other management costs*	1.244	4.359
Total expenses		19.506	114.321
Difference between revenues and expenses (A-B)		(18.962)	(114.120)
C) Financial income and costs			
16)	*Other financial income*		
	d) other than the above	0	0
		0	0
17)	*Interest and other financial cost*		
	d) other than the above	0	0
		0	0
Total financial income and costs		0	0
Result before taxes		(18.962)	(114.120)
20)	*Taxes on the income for the year*		
	- current taxes	0	0
	- deferred taxes	0	0
		0	0
22) Profit (Loss) for the year		(18.962)	(114.120)

DR.REDDY'S
LIFE. RESEARCH. HOPE

Reddy Pharma Italia S.r.l. (with a sole quotaholder)

Registered office at Milano – Piazza Santa Maria Beltrade, n. 1

Share capital EUR 30.000,00 i.v.

Taxpayer's ID and Companies Registered to Milan CCIAA no. 1823467

Fiscal code and VAT no. 05464490969

ABRIDGED EXPLANATORY NOTE PURSUANT ART. 2435 BIS C.C. ON FINANCIAL STATEMENT AT MARCH 31, 2017

PREMISE

The Company, wholly controlled by the LACOCK HOLDINGS LIMITED sole quotaholder, based in Cyprus, its aim being to produce, to sell, to market, to export and import chemical, pharmaceutical and related products.

The LACOCK HOLDINGS LIMITED sole quotaholder is part of the Dr. Reddy's Laboratories LTD Group, listed on the N.Y.S.E. Stock Exchange, headquartered in India (Hyderabad).

STRUCTURE, CONTENT AND DRAFTING PRINCIPLES OF FINANCIAL STATEMENT

The financial statements for the financial year closed on December 31, 2016, of which this explanatory note is part, have been drafted in accordance with the rules of the Civil Code (c.c.) supplemented by accounting principles issued by the National Council of Chartered Accountants and Auditors (C.N.D.C.E.C.) and by Auditors Italian Accounting Body (O.I.C).

This financial statement has been prepared taking into account the legislative changes introduced by D.Lgs. no. 139/2015 applicable starting from the financial year 2016 and of the consequent OIC accounting principles updating. The application of the new drafting principles have not involved any relevant effects on the balance sheet and Profit and Loss Account items of the current and the previous financial year.

The drafting principles and the valuation criteria are based on the general principles of prudence, competence and going concern basis, and taking into account of the economic function of the asset or liability element considered.

The evaluation criteria for each items respect the formal and substantive content of Legislative Decree April 9, 1991, no. 127 and the accounting principles approved by the National Council of Chartered Accountants and Auditors (C.N.D.C.E.C.) and integrated by the Auditors Italian Accounting Body (O.I.C.).

The criteria adopted for this financial statements drafting are in accordance with the provisions of art. 2426 C.C. It have not occured derogation use pursuant art. 2423 paragraph 4.

In the financial statement drafting as of March 31, 2017 the following principles have been observed:

- it have been also taking into account the financial year risks and losses, even though they have been known after the financial year closing date, but before the financial statements drafting.
- It have been taking into account the income and expenses incurred during the financial year irrespective of the receipt or payment date;
- The profits have been shown only if they actually achieved;
- The heterogeneous elements included in the individual items have been described separately;

The Company does not prepare the consolidated financial statements as the limits pursuant art. 27 of Legislative Decree 127/91 are not exceeded.

It is also noted that this explanatory note is drafted in Euro.

VALUATION CRITERIA

The valuation criteria are exposed as follows.

Intangible assets

Their registration is based on the fact that these expenses can provide future benefits whose economic utility will continue over time; they are recorded at the cost incurred for their acquisition. They are systematically amortized in relation to their residual utilization potential.

Description	Depreciation rate
Software programs	20%

Fixed assets whose value at the the financial year closing date is permanently lower than the depreciated cost in accordance with the above exposed criteria, are recorded at this lower value. In the Balance Sheet, the value of intangible assets is shown net of all depreciation and possible value adjustments.

Tangible fixed assets

Tangible fixed assets are accounted at historical cost and the adjusted provisions of such items are carried directly decreasing the assets.
The ordinary depreciation has been calculated systematically on the basis of rates considered representative of the residual utilization possibility of each category of asset.

The depreciation rate adopted for office machines and telephone equipment is 20%; for fixtures and fitting is 12%.

In the financial year, in which the asset comes into operation, the depreciations are calculated using the above-mentioned rates, reduced by 50%, assuming that purchases are homogeneously distributed throughout the year.

In the event that, irrespective of the depreciation already accounted, there is a permanent loss of value, the asset is correspondingly devaluated; if in the subsequent financial years the assumptions of the value adjustment are no longer met, the original value is restored.

Assets that can be used independently, if their usefulness is limited to one financial year, are fully depreciated during the year.

Financial fixed assets
Fixed assets are valued on the basis of their estimated realizable value. The other financial fixed assets are stated at the acquisition cost inclusive of the related ancillary costs reduced for possible value durable loss.

Receivables
Receivables are recorded at the estimated realizable value resulting from the difference between the nominal value and the receivables value adjustments provisions, determined to meet the expected recoverability risks.

Conversion criteria of the extra UEM currency items.
Currency assets and liabilities, except the fixed assets, are stated at the spot exchange rate at the end of the year and the related profits and losses on exchange are recognized in the Profit and Loss Account. The possible net income is allocated in a non-distributable reserve until the realization. Fixed assets in currency are recorded at the exchange rate at the time of their purchase or at the lower of the year-end if the reduction is considered durable.

Liquid assets
Liquid assets at financial year closing date are stated at nominal value.

Liquid assets
Liquid assets at financial year closing date are stated at nominal value.

Accrued income and prepayments
These items include those costs and income, common to two or more years, in accordance with the principle of economic and temporal competence.

Net equity

The share capital subscription is occurred at the nominal value of the shares subscribed by the shareholder.
The reserve registration is occured at nominal value.

Payables
Payables are stated at nominal value.

Revenues recognition
Revenues from products sales are recognized at the time of the ownership transfer, which normally identifies with the goods delivery or shipment of the goods.
Financial revenues and those deriving from the services provisions are recognized on a timely basis.
Revenues and income, costs and charges relating to currency transactions are determined at the exchange rate on the date on which the relevant transaction is made.

Income and expenses interest, other costs and revenues
They are exposed in the financial statements in accordance with the accrual and economic principle.

Income taxes

Income taxes of the financial year are determined on the basis of a realistic estimate of the tax obligations to be accomplished, in accordance with current tax legislation. Tax payable is stated in the item "Payables" net of advances paid and withholdings. If advances paid and any receivables arising from previous financial years are higher than the taxes due, the net reveivable to the tax authorities is stated among the receivables under "Receivables".

Deferred tax assets and liabilities
In compliance with the accounting principle no. 25 of the Italian Accounting Organization, deferred tax liabilities are recognized in the "tax provision" item and the assets for deferred tax assets in the item "deferred tax assets", calculated on the temporary differences between the values of the assets and liabilities stated in the financial statements and the corresponding tax values.

In accordance with this principle, deferred taxes assets are accounted only in so far as there is a reasonable certainty of their total future recovery.

Deferred tax assets receivables and deferred tax liabilities payables are offset if compensation is legally permitted.

ANALYSIS OF THE INDIVIDUAL ITEMS

BALANCE SHEET

ASSETS

B) FIXED ASSETS

B.I) Intangible assets

Since the depreciation process is elapsed the net value intangible asset is zero. The movements in the item are shown in the following table:

Description	Intangible assets
Historical costs	61,541
Depreciation provisions	(59,825)
Net value as of 31.03.2016	1,716
Financial year increases	-
Adjustments	-
Good disposal	(25,619)
Depreciation disposal	25,619
Disposals	-
Financial year depreciation	(1,716)
Net value as of 31.03.2017	**-**

The financial year movements, broken down by asset category, are shown in the table below:

Category	Company establishing costs	Software	Improvements costs to third-party assets	Total
Historical costs	8,500	35,922	17,119	61,541
Depreciation provisions	(8,500)	(34,206)	(17,119)	(59,825)
Net value as of 31.03.2016	-	1,716	-	1,716
Financial year increases	-	-	-	-
Adjustments	-	-	-	-
Good disposal	(8,500)		(17,119)	(25,619)
Depreciation disposal	8,500		17,119	25,619
Disposals	-	-	-	-
Financial year depreciation	-	(1,716)	-	(1,716)
Net value as of 31.03.2017	**-**	**-**	**-**	**-**

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B.II) Tangible fixed assets

Net tangible fixed assets, equal to **Euro 1,745**, has recorded a net decrease during the financial year of **Euro 1,518**. The movements in the item are shown in the following table:

Description	Tangible fixed asset
Historical costs	21,718
Depreciation provisions	(18,455)
Net value as of 31.03.2016	*3,263*
Financial year increases	-
Adjustments	-
Good disposal	(1,872)
Depreciation disposal	1,872
Disposals	-
Financial year depreciation	(1,518)
Net value as of 31.03.2017	**1,745**

The financial year movements, broken down by asset category, are shown in the table below:

Category	Telephone equipment	Furniture	Office machines	Total
Historical costs	1,872	13,532	6,314	21,718
Depreciation provisions	(1,872)	(10,269)	(6,314)	(18,455)
Net value as of 31.03.2016	-	*3,263*	-	*3,263*
Financial year increases	-	-	-	-
Adjustments	(1,872)	-		(1,872)
Good disposal	1,872			1,872
Depreciation disposal	-	-	-	-
Disposals	-	-	-	-
Financial year depreciation	-	(1,518)	-	(1,518)
Net value as of 31.03.2017	**-**	**1,745**	**-**	**1,745**

B.III) Financial assets

Financial fixed assets include the shareholding in the subsidiary Dr Reddy's S.r.l. (100% owned), whose office is registered at Milan Piazza Santa Maria Beltrade, 1, for **Euro 770,000** (**Euro 300,000** to March 31, 2016).

The shareholding held in Dr. Reddy's S.r.l. (Already Jet Generics S.r.l.) was acquired on April 1st, 2008 by the company Farmaceutici Caber S.p.A. for a total amount of **Euro 2,314,409.** In order to support the operations of the subsidiary, the Company has made during the different financial years capital injections for a total amount of **Euro 12,450,000**. The last one is occured during the financial year closed on March 31, 2017 for **Euro 470,000**.

C) CURRENT ASSET

C.II) Receivables

The receivables stated in the current assets, compared to March 31, 2016, have recordered a decrease equal to **Euro 82,481,** and the balance broken down by category, is composed as follows:

Category	Balance as of 31.03.2016	Increases (Decreases)	Balance as of 31.03.2017
Dr. Reddy's S.r.l. commercial receivables	-	-	-
Dr. Reddy's S.r.l. financial receivables	90,000	(90,000)	-
Tax receivables (Vat)	4,270	7,663	11,933
Tax receivables (Irap)	1,326	(144)	1,182
Other receivables	-	-	-
Total	**95,596**	**(8,481)**	**13,115**

There are not receivables that are filling due after five years.

C.IV) Liquid assets

The composition of the item "Liquid assets" is summarized in the table below:

Category	Balance as of 31.03.2017
Bank deposits	34,535
Cash and cash equivalents	-
Liquid assets	**34,535**

D) Accrued income and prepayments

This item, equal to **Euro 355**, is mainly composed from accrued income on maintenance fees for copy machine. There are not accrued income or prepayments that are filling due after five years.

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LIABILITIES AND NET EQUITY

A) NET EQUITY

The net equity movements occurred during the financial year are shown in the following table:

	I. Share Capital	VII. Capital injections	IX. Profit/(Loss) of the financial year	Ending balance	I. Share Capital
Net equity as of 31.03.2014	**1,034,535**	**690,812**	**-**	**(617,717)**	**1,107,630**
Increases 2014/15	-		-	-	-
Utilization 2014/15	-	(617,717)	-	617,717	-
Loss of the financial year 2014/15	-	-	-	(615,672)	(615,672)
Rounding	-	(1)	-	-	(1)
Net quity as of al 31.03.2015	**1,034,535**	**73,094**	**-**	**(615,672)**	**491,957**
Increases 2015/16	-		-	-	-
Utilization 2015/16	-	(73,094)	(542,578)	615,672	-
Loss of the financial year 2015/16	-	-	-	(114,120)	(114,120)
Net equity as of 31.03.2016	**1,034,535**	**-**	**(542,578)**	**(114,120)**	**377,837**
Share Capital reduction	(1,004,535)	1,004,535	-	-	-
Capital injections (24.06.2016)		450,000			450,000
Utilization 2016/17		(656,698)	542,578	114,120	-
Loss of the financial year 2016/17	-	-	-	(18,962)	(18,962)
Net equity as of 31.03.2017	**30,000**	**797,837**	**-**	**(18,962)**	**808,875**

A.I) Share capital

The share capital, which is fully subscribed, amounts to ad **Euro 30,000** after the reduction following the deliberate reduction at the beginning of the financial year to which the financial statements refers. The amount released as a result of the reduction is included in an available capital reserve. It is also noted that, on April 18, 2017, the sole quotaholder LACOCK HOLDINGS LIMITED made a capital injection for a total amount of Euro 750,000. According to art. 2427, no. 7a), it is also provided a summary on the possibility of the net equity reserves utilization, showing the utilization of those reserves in the last three financial years (values expressed in Euro):

Nature and description	Amount	Possibility of utilization	Available part	Utilizations made in the last three financial year To coverage losses	To coverage losses
Share capital	30,000			-	-
Capital reserve:					
Quotaholder injections for losses covering	797,837	A,B,C		1,890,087	-
Profits reserve:					

Legal reserve	-			
Profits (losses) carry forward	-			
Total	**797,837**	**-**	1,890,087	-
Part not to be distributed		**18,962**		
Part that may be distributed		**778,875**		
Legend: A for capital increase; B for losses covering; C for quotaholders distributions				

D) Payables

As of March, 31 2017 the payables amount to **Euro 10,875**. The payables breakdown is the following:

Description	Balance as of 31.03.2016	Increases (decreseas)	Balance as of 31.03.2017	UE	Extra-UE
Payables to suppliers	33,696	(25,096)	8,600	8,600	-
Tax payables	1,549	726	2,275	2,275	-
Payables to social security institutions	573	(573)	-	-	-
Payables to employees	-	-	-	-	-
Other payables	-	-	-	-	-
Total	**35,818**	**(24,943)**	**10,875**	**10,875**	**-**

There are not payables that are filling due after five years. The analysis of the individual items composing the balance is shown as follow.

Payables to suppliers
The balance of this item include payables to suppliers for invoices to be received **Euro 8,600**.

Tax payables
The balance of this item includes only **Euro 2,275** due IRPEF withholdings.

ANALYSIS OF THE MAIN PROFIT AND LOSS ACCOUNT ITEMS

A) VALUE OF PRODUCTION

The value of the production, equal to **Euro 544**, is composed as follows:

Description	31.03.2017	31.03.2016
Income from sales and performaces	-	-
Other income and earnings	544	201
Total	**544**	**201**

The entire amount of income is realised in Italy.

B) Costs of production

Il detail of this item, equal to **Euro 19,506**, is composed as follows:

Description	31.03.2017	31.03.2016
For raw materials, subsidiary materials, consumables	-	-
For services	15,028	81,171
For rent and leases	-	25,451
Personnel costs		
a) wages and salaries	-	-
b) social security contribution	-	-
c) indemnity for termination of employment	-	-
Depreciation of intangible assets	1,716	1,716
depreciation of tangible assets	1,517	1,624
Other operating costs	1,244	4,359
Total	**19,506**	**114,321**

B.7) Costs for services

This item is mainly constituted of administrative and consulting expenses (**Euro 8,272**) e maintenance costs (**Euro 4,666**).

B.10) Depreciations and value adjustments

Financial year depreciation includes the furnitures depreciation (**Euro 1,518**) and software depreciation (**Euro 1,716**).

D) FINANCIAL ACTIVITIES VALUE ADJUSTMENTS

This item does not include any value.

22) INCOME TAX OF THE FINANCIAL YEAR

There are no current taxes and deferred tax liabilities. In particular, it is noted that for the financial year closed as of March, 31 2017 it has been considered prudently do not account deferred tax assets on tax losses as there are no conditions for their inclusion in accordance with OIC accounting principles.

§ § §

Information required for the exemption from the Management report, pursuant art. 2428 C.C..

The company does not have parent companies shares or unit (art. 2428, paragraph 2, n.3 C.C.), and not shares or unit have been disposed or purchased during the financial year (art. 2428, paragraph 2, n.4 C.C.) also through trustee or intermediaries.

INFORMATION ON TRANSACTIONS MADE WITH RELATED PARTIES

During the financial year, it have not been occurred transactions with significant related parties and made under non-market conditions.

OTHER INFORMATIONS

This financial statement is composed by Balance Sheet, Profit and Loss Account and explanatory note, provides a true and accurate picture of the Company's financial position and performance and of the Profit or Loss income of the financial year.

Milano, il • 2017

For the Board of Directors

Troche Clemens Johannes

Independent Auditors' 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 2017, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 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.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

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 2017;

(b) in the case of the Statement of Profit and Loss(including Other Comprehensive Income), 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;

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

Reddy Pharma SAS
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	5,547	97	-
		5,547	**97**	**-**
Current assets				
Inventories	2.2	8,102	-	-
Financial assets				
Cash and cash equivalents	2.3	10,314	22,720	-
Loans	2.4	367	-	-
Other current assets	2.5	3,973	313	-
Total current assets		**22,756**	**23,033**	**-**
Total assets		**28,303**	**23,130**	**-**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.6	72,078	36,056	-
Other equity	2.6			
Retained earnings		(59,552)	(18,867)	-
Total equity		**12,526**	**17,189**	**-**
Current liabilities				
Financial Liabilities				
Trade payables	2.7	9,268	927	-
Other current financial liabilities	2.8	4,255	3,953	-
Other current liabilities	2.9	2,254	1,061	-
Total Liabilities		**15,777**	**5,941**	**-**
Total equity and liabilities		**28,303**	**23,130**	**-**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 9 May 2017

for and on behalf of the Board of Directors of **Reddy Pharma SAS**

Subhir Kohli
Director

Sameer Natu
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 year ended 31 March 2017	For the year ended 31 March 2016
Total Income		**-**	**-**
Expenses			
Employee benefits expense	2.10	26,939	12,091
Depreciation and amortisation expense	2.11	561	16
Other expenses	2.12	13,185	6,761
Total expense		**40,685**	**18,867**
Loss before tax		**(40,685)**	**(18,867)**
Income tax expense		-	-
Loss for the year		**(40,685)**	**(18,867)**
Earnings per share:			
Basic - Par value EUR 50 per share		(40.69)	(76.09)
Diluted - Par value EUR 50 per share		(40.69)	(76.09)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Reddy Pharma SAS**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Subhir Kohli
Director

Place: Hyderabad
Date: 9 May 2017

Sameer Natu
Director

Reddy Pharma SAS
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2017	For the year ended 31 March 2016
Operating activities		
Profit/(loss) before taxation	(40,685)	(18,867)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation on Property,plant and equipment	561	16
Net foreign exchange differences	410	(710)
Operating cash flows before working capital changes	**(39,714)**	**(19,561)**
Working capital adjustments:		
Increase/(Decrease) in other assets & liabilities,net	(2,220)	5,400
Increase in trade and other payables	8,847	-
Increase in inventories	(8,102)	-
	(41,189)	**(14,161)**
Income tax paid	-	-
Net cash flows from operating activities	**(41,189)**	**(14,161)**
Net cash flows used in investing activities		
Purchase of fixed assets,net	(6,011)	(113)
	(6,011)	**(113)**
Net cash flows from/ (used in) financing activities		
Proceeds from issuance of share capital	36,022	36,056
	36,022	**36,056**
Net increase / (decrease) in cash and cash equivalents	(11,178)	21,782
Cash and cash equivalents at the beginning of the year	22,720	-
Effect of foreign exchange gain on cash and cash equivalents	(1,228)	938
Cash and cash equivalents at the end of the year	**10,314**	**22,720**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	10,314	22,720
Cash and bank balances at the end of the year	**10,314**	**22,720**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Reddy Pharma SAS**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Subhir Kohli
Director

Sameer Natu
Director

Place: Hyderabad
Date: 9 May 2017

Reddy Pharma SAS

Statement of Changes in Equity

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

2.4 Total equity

For the year ended 31 March, 2017

Particulars	Share Capital		Total Equity	
	Shares	Amount	Retained Earnings	Total
Balance as of 1 April 2015	-	-	-	-
Shares issued during the year	500,000	36,056	-	36,056
Loss for the period			(18,867)	(18,867)
Balance as of 31 March 2016	**500,000**	**36,056**	**(18,867)**	**17,189**
Shares issued during the year	500,000	36,022	-	36,022
Loss for the period			(40,685)	(40,685)
Balance as of 31 March 2017	**1,000,000**	**72,078**	**(59,552)**	**12,526**

As per our report of even date attached

for and on behalf of the Board of Directors of **Reddy Pharma SAS**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Subhir Kohli
Director

Sameer Natu
Director

Place: Hyderabad
Date: 9 May 2017

Reddy Pharma SAS

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

First Time Adoption of Ind AS :

Transition to Ind AS: These are the first financial statements of the Company prepared in accordance with the Indian Accounting Standards (Ind AS)
These statements are prepared in accordance with the Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with the Companies (Accounting Standards) Rules,2006 notified under Section 133 of the Companies Act, 2013 and the other relevant provisions . The Accounting policies set out in the financial statements have been applied in preparing these financial statements for the year ended 31 March 2016 and the opening Ind AS Balance Sheet on the date of transition i.e. 01 April 2015.

In preparing the Ind AS Balance Sheet as of 01 April 2015 and in presenting the Comparative information for the year ended 31 March 2016 the Company has adjusted the amounts previously reported in the financial statements prepared in accordance with Indian GAAP (IGAAP).
Note 1.5 explains the principal adjustments made by the Company in restating the financial statements prepared in accordance with IGAAP and how the transition from IGAAP to Ind AS has affected the Company's financial position, financial performance and Cash Flows.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, 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 measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised 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.

License fee

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

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

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

Liabilities:

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

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

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.
Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories
Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.
Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies
Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.
When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment
Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation
Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.
Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of 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.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Reddy Pharma SAS
Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern
The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions
The company has the following amounts due to related parties:

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Due to holding and other group companies(included in trade payables and other current financial liabilities):		
Dr. Reddy's Laboratories (UK) Limited	8,102	-
Reddy Pharma Iberia SA	-	113

1.3 Taxation

a. Current Taxes
The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed

b. Deferred Taxes
The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.4 Provisions, Contingent Liabilities and Contingent Assets
Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Principle Adjustments made with impact of Ind AS adoption

Reconciliation of equity as at 31 March 2016 and 01 April 2015 (Date of Transition)

Particulars	At 31 March 2016			01 April 2015 (Date of Transition)		
	Previous GAAP	Ind As Adjustment	Ind AS	Previous GAAP	Ind As Adjustment	Ind AS
NIL						

1.6 The company, incorporated in France, is a 100% subsidiary of Dr. Reddy's Laboratories SA.The company is incorporated on 29 October 2015 and accordingly the comparitive figures for 1 April 2015 are not presented in the financial statements.

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 : Property, plant and equipment

Description	Gross Block				Depreciation				Net Block	
	As at 1 April 2016	Additions	Disposals	As at 31 March 2017	As at 1 April 2016	For the year	Disposals	As at 31 March 2017	As at 31 March 2017	As at 31 March 2016
Office Equipment	113	6,011	-	6,124	16	561		577	5,547	97
Total	**113**	**6,011**	**-**	**6,124**	**16**	**561**	**-**	**577**	**5,547**	**97**

Description	Gross Block				Depreciation				Net Block	
	As at 1 April 2015	Additions	Disposals	As at 31 March 2016	As at 1 April 2015	For the year	Disposals	As at 31 March 2016	As at 31 March 2016	As at 1 April 2015
Office Equipment	-	113	-	113	-	16	-	16	97	-
Total	**-**	**113**	**-**	**113**	**-**	**16**	**-**	**16**	**97**	**-**

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

Note 2: Notes to the financial statements

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.2 : Inventories			
Finished goods (at lower of cost and net realisable value)	8,102	-	-
	8,102	**-**	**-**

Financial Assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.3 : Cash and cash equivalents			
Balances with banks:			
- On current accounts	10,314	22,720	-
	10,314	**22,720**	**-**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
2.4 : Loans and Advances			
Non current			
Advance to other parties	367	-	-
	367	**-**	**-**

Other Assets

2.5 : Other assets	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Other Current assets			
Prepaid expenses	1,088	-	-
Balances with statutory agencies	2,885	313	-
	3,973	**313**	**-**

Reddy Pharma SAS

Notes to Financial Statements

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

Note 2: Notes to the financial statements

2.6 : Share capital

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised Share Capital			
1,000,000(31 March 2016: 1,000,000 and 1 April 2015: NIL) equity shares of EUR 1 each	72,078	36,056	-
Issued equity capital			
1,000,000(31 March 2016: 500,000 and 1 April 2015: NIL) equity shares of EUR 1 each	72,078	36,056	-
Subscribed and fully paid-up			
1,000,000(31 March 2016: 500,000 and 1 April 2015: NIL) equity shares of EUR 1 each	72,078	36,056	-
	72,078	**36,056**	**-**

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

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	No. of equity shares	Amount	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	500,000	36,056	-	-	-	-
Add:Shares issued during the year	500,000	36,022	500,000	36,056	-	-
Number of shares outstanding at the end of the year	**1,000,000**	**72,078**	**500,000**	**36,056**	**-**	**-**

(b) **Terms / rights attached to the 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		As at 1 April 2015	
	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class
Dr. Reddy's Laboratories SA	1,000,000	100%	500,000	100%	-	-

Financial Liabilities	**As at 31 March 2017**	**As at 31 March 2016**	**As at 1 April 2015**
2.7 : Trade payables			
Trade payables to others	1,166	927	-
Trade payables to related parties	8,102	-	-
	9,268	**927**	**-**

	As at 31 March 2017	**As at 31 March 2016**	**As at 1 April 2015**
2.8 : Other financial liabilities			
Other current financial liabilities			
Accrued expenses	4,255	3,840	-
Due to holding company and other group companies	-	113	-
	4,255	**3,953**	**-**
Other Liabilities			
2.9 : Other current liabilities			
Due to statutory authorities	-	285	
Salary and bonus payable	2,254	776	-
	2,254	**1,061**	**-**

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

Note 2: Notes to the financial statements

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.10 : Employee benefits expense		
Salaries, wages and bonus	26,939	
	26,939	**-**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.11 : Depreciation and amortisation expense		
Depreciation of Property,plant and equipment	561	
	561	**-**

	For the year ended 31 March 2017	For the year ended 31 March 2016
2.12 : Other expenses		
Foreign exchange loss,net	296	-
Legal and professional	6,619	7,338
Audit Fees	201	
Rates and taxes	1,188	
Rent	1,644	
Travel expenses	1,146	
Other general expenses	2,091	62
	13,185	**7,400**