Dr.Reddy's

SUBSIDIARY COMPANIES FINANCIALS 2018-19

PART- B

Building a winning future

Sl. No.	Name of the Subsidiary	Page No.
1	Aurigene Discovery Technologies (Malaysia) SDN BHD	1
2	Aurigene Discovery Technologies Inc.	15
3	Aurigene Discovery Technologies Limited	26
4	beta Institut gemeinnützige GmbH	103
5	betapharm Arzneimittel GmbH	124
6	Cheminor Investments Limited	165
7	Chirotech Technology Limited	193
8	DRL Impex Limited	210
9	Dr. Reddy's Bio-Sciences Limited	246
10	Dr. Reddy's Farmaceutica Do Brasil Ltda.	282
11	Dr. Reddy's Laboratories (Australia) Pty. Limited	297
12	Dr. Reddy's Laboratories (Canada) Inc.	311
13	Dr. Reddy's Laboratories Chile SPA., Chile	326
14	Dr. Reddy's Laboratories (EU) Limited	340
15	Dr. Reddy's Laboratories Inc.	364
16	Dr. Reddy's Laboratories International SA	412
17	Dr. Reddy's Laboratories Japan KK	426
18	Dr Reddy's Laboratories Kazakhstan LLP	440
19	Dr. Reddy's Laboratories LLC	454
20	Dr. Reddy's Laboratories Louisiana LLC	475
21	Dr. Reddy's Laboratories Malaysia Sdn. Bhd.	510
22	Dr. Reddy's Laboratories New York, Inc.	524
23	Dr. Reddy's Laboratories Philippines Inc.	553
24	Dr. Reddy's Laboratories (Proprietary) Limited	567
25	Dr. Reddy's Laboratories Romania SRL	582
26	Dr. Reddy's Laboratories SA	597
27	Dr. Reddy's Laboratories SAS	606
28	Dr. Reddy's Laboratories Taiwan Ltd.	621
29	Dr. Reddy's Laboratories Tennessee, LLC	633
30	Dr. Reddy's Laboratories (Thailand) Limited	659
31	Dr. Reddy's Laboratories (UK) Limited	673
32	Dr. Reddy's Research and Development B.V. *(formerly Octoplus BV)*	689
33	Dr. Reddy's Singapore PTE. LTD.	704
34	Dr. Reddy's Srl	717
35	Dr. Reddy's New Zealand Limited	733
36	Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China	748
37	Dr. Reddy's Venezuela, C.A.	762
38	Eurobridge Consulting B.V.	776
39	Idea2Enterprises (India) Private Limited	788
40	Imperial Credit Private Limited	818
41	Industrias Quimicas Falcon de Mexico, S.A. de CV	843
42	Kunshan Rotam Reddy Pharmaceutical Company Limited	887
43	Lacock Holdings Limited	907
44	OOO Dr. Reddy's Laboratories Limited	928
45	OOO DRS LLC	972
46	Promius Pharma LLC	985
47	Reddy Antilles N.V.	1022
48	Reddy Holding GmbH	1033
49	Reddy Netherlands B.V.	1056
50	Reddy Pharma Iberia SA	1100
51	Reddy Pharma Italia S.p.A	1119
52	Reddy Pharma SAS	1130
53	Regkinetics Services Limited (*formerly Dr. Reddy's Pharma SEZ Limited*)	1144
54	DRANU LLC	1171

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 2019, 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 2019;

(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: 15 May 2019

Dr. Reddy's Laboratories SAS
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	10,289	2,593
Financial assets			
Other financial assets	2.2 B	203	169
Deferred tax assets, net	2.19	5,652	3,103
Tax assets, net		18,437	11,797
		34,581	**17,662**
Current assets			
Inventories	2.4	168,737	56,319
Financial assets			
Trade receivables	2.2 A	186,566	147,649
Cash and cash equivalents	2.2 C	32,407	29,022
Other current assets	2.3	2,962	507
		390,672	**233,497**
Total assets		**425,253**	**251,159**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.5	104,285	49,231
Other equity		(5,876)	(4,821)
		98,409	**44,410**
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	2.6 A	76,632	74,115
		76,632	**74,115**
Current liabilities			
Financial Liabilities			
Trade payables	2.6 C	237,376	118,770
Other financial liabilities	2.6 B	5,756	11,519
Provisions	2.7	1,645	192
Other current liabilities	2.8	5,435	2,153
		250,212	**132,634**
Total equity and liabilities		**425,253**	**251,159**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories SAS**

PSRVV Surya Rao
Partner
Membership No.: 202367

Avinash Mishra
Legal Representative

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories SAS
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Income			
Sales	2.9	418,775	296,797
Total revenue from operations		**418,775**	**296,797**
Other income	2.10	-	10,460
Total income		**418,775**	**307,257**
Expenses			
Cost of materials consumed		347,736	133,953
(Increase) / decrease in inventories of finished goods, work-in-progress and stock-in-trade	2.11	(112,418)	17,296
Employee benefits expense	2.12	73,115	60,711
Depreciation expense	2.13	3,394	1,414
Finance costs	2.14	2,310	1,667
Selling and other expenses	2.15	105,964	44,543
Total expenses		**420,101**	**259,584**
Profit / loss before tax		**(1,326)**	**47,673**
Tax expense			
Current tax		2,740	4,076
Deferred tax		(3,011)	(3,035)
Profit / loss for the year		**(1,055)**	**46,632**
Other comprehensive income (OCI)		**-**	**-**
Total comprehensive profit / loss for the year		**(1,055)**	**46,632**
Earnings per share:			
Basic earnings per share of COP 100,000/- each		(33.24)	2,137.81
Diluted earnings per share of COP 100,000/- each		(33.24)	2,137.81

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories SAS**

PSRVV Surya Rao
Partner
Membership No.: 202367

Avinash Mishra
Legal Representative

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories SAS

Statement of Cash Flow

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

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Cash flows from / (used in) operating activities		
Profit / (Loss) before tax	**(1,326)**	**47,673**
Adjustments:		
Depreciation expense	3,394	1,414
Foreign exchange loss / (gain), net	(3,347)	443
Finance costs	2,310	1,667
Allowances for credit losses, net	53	2,533
Allowances for doubtful advances, net	5,733	-
Changes in operating assets and liabilities:		
Trade receivables	(51,843)	(104,291)
Inventories	(112,418)	17,296
Trade payables	132,888	27,292
Other assets and liabilities, net	(8,531)	4,914
Cash generated from / (used in) operations	**(33,087)**	**(1,059)**
Income tax paid, net	(10,339)	(11,445)
Net cash from / (used in) operating activities	**(43,426)**	**(12,504)**
Cash flows from / (used in) investing activities		
Purchase of property, plant and equipment	(11,090)	(432)
Net cash used in investing activities	**(11,090)**	**(432)**
Cash flows from / (used in) financing activities		
Finance costs	(2,310)	(1,667)
Proceeds from issue of equity shares	55,054	-
Proceeds from long-term loans and borrowings, net	7,972	23,148
Net cash from / (used in) financing activities	**60,716**	**21,481**
Net increase / (decrease) in cash and cash equivalents	6,200	8,545
Effect of exchange rate changes on cash and cash equivalents	(2,815)	1,435
Cash and cash equivalents at the beginning of the year	29,022	19,042
Cash and cash equivalents at the end of the year	**32,407**	**29,022**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories SAS**

PSRVV Surya Rao
Partner
Membership No.: 202367

Avinash Mishra
Legal Representative

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories SAS

Statement of Changes in Equity

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

Particulars	Equity share capital	Reserves and surplus	Total equity
		Retained earnings	
Balance as at 1 April 2018	**49,231**	**(4,821)**	**44,410**
Issue of equity shares	55,054	-	55,054
Profit for the year	-	(1,055)	(1,055)
Balance as at 31 March 2019	**104,285**	**(5,876)**	**98,409**

Particulars	Equity share capital	Reserves and surplus	Total equity
		Retained earnings	
Balance as at 1 April 2017	**49,231**	**(51,453)**	**(2,222)**
Loss for the year	-	46,632	46,632
Balance as at 31 March 2018	**49,231**	**(4,821)**	**44,410**

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 SAS

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

Avinash Mishra
Legal Representative

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories SAS
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
Dr. Reddy's Laboratories SAS (" the Company") incorporated in Colombia , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 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.

1.4 Significant accounting policies

a) Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
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 assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

b) 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.

c) Revenue
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes 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
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. 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.

d) 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.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Dr. Reddy's Laboratories SAS
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

e) 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.

f) 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.

g) 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. General and specific 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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. Land is not depreciated.

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 and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

Buildings
- Factory and administrative buildings
- Ancillary structures
Plant and machinery
Furniture, fixtures and office equipment
Vehicles

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

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. 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.

h) 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 realisable 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 realisable 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.

Dr. Reddy's Laboratories SAS
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

i) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

j) Provisions, contingent liabilities and contingent assets

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 a 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 balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

k) 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 Companny commits to purchase or sell the asset.

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.

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 and derivative financial instruments

l) 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.

m) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Laboratories SAS

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

Note 2 Notes to the financial statements

2.1 Property, plant and equipment

Particulars	Gross carrying value				Accumulated depreciation				Net carrying value
	As at 1 April 2018	Additions	Disposals	As at 31 March 2019	As at 1 April 2018	For the year	Disposals	As at 31 March 2019	As at 31 March 2019
Furniture, fixtures and office equipment	3,556	2,373	-	5,929	1,772	2,412	-	4,184	1,745
Vehicles	2,028	-	-	2,028	1,219	567		1,786	242
Buildings		8,717		8,717		415		415	8,302
Total	**5,584**	**11,090**	**-**	**16,674**	**2,991**	**3,394**	**-**	**6,385**	**10,289**
Previous Year	5,152	432	-	5,584	1,577	1,414	-	2,991	2,593

Dr. Reddy's Laboratories SAS

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

Note 2 Notes to the financial statements (continued)

2.2 Financial assets

2.2 A. Trade receivables

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good	186,566	147,649
Unsecured, considered doubtful	8,204	2,748
	194,770	**150,397**
Less: Allowance for credit loss	(8,204)	(2,748)
	186,566	**147,649**

2.2 B. Other non-current financial assets

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good		
Security deposits	203	169
	203	**169**

2.2 C. Cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018
Balances with banks:		
- In current accounts	32,345	28,998
Cash on hand	62	24
	32,407	**29,022**

2.3 Other current assets

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good		
Balances with statutory authorities	318	-
Others	2,644	507
	2,962	**507**

2.4 Inventories

	As at 31 March 2019	As at 31 March 2018
Finished goods	168,737	56,319
	168,737	**56,319**

Dr. Reddy's Laboratories SAS

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

Note 2 Notes to the financial statements (continued)

2.5 Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised share capital		
1,000,000 equity shares of COP 100,000/- each (31 March 2018: 1,000,000)	2,284,097	2,284,097
Issued equity capital		
45,657 equity shares of COP 100,000/- each (31 March 2018: 21,813)	104,285	49,231
Subscribed and fully paid-up		
45,657 equity shares of COP 100,000/- each (31 March 2018: 21,813)	104,285	49,231
	104,285	**49,231**

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

Particulars	For the year ended 31 March 2019		For the year ended 31 March 2018	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	21,813	49,231	21,813	49,231
Add: Equity shares issued during the year	23,844	55,054	-	-
Number of shares outstanding at the end of the year	**45,657**	**104,285**	**21,813**	**49,231**

(b) **Terms / rights attached to the 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.

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

Particulars	As at 31 March 2018		As at 31 March 2017	
	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class
Dr. Reddy's Laboratories SA	45,657	100.00	21,813	100.00

2.6 Financial Liabilities

2.6 A. Non-current borrowings

	As at 31 March 2019	As at 31 March 2018
Unsecured		
Long-term loans from related parties	76,632	74,115
	76,632	**74,115**

2.6 B. Other current financial liabilities

	As at 31 March 2019	As at 31 March 2018
Accrued expenses	5,756	11,519
	5,756	**11,519**

2.6 C. Trade payables

	As at 31 March 2019	As at 31 March 2018
Trade payables to holding and other group companies	237,376	118,770
	237,376	**118,770**

2.7 Current provisions

	As at 31 March 2019	As at 31 March 2018
Provision for employee benefits		
Compensated absences	1,645	192
	1,645	**192**

2.8 Other current liabilities

	As at 31 March 2019	As at 31 March 2018
Salary and bonus payable	2,921	1,617
Due to statutory authorities	2,514	536
	5,435	**2,153**

Dr. Reddy's Laboratories SAS

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

Note 2 Notes to the financial statements (continued)

2.9 Sales

	For the year ended 31 March 2019	For the year ended 31 March 2018
Sales	418,775	296,797
	418,775	**296,797**

2.10 Other income

	For the year ended 31 March 2019	For the year ended 31 March 2018
Foreign exchange gain, net	-	10,460
	-	**10,460**

2.11 Changes in inventories of finished goods, work-in-progress and stock-in-trade

		For the year ended 31 March 2019		For the year ended 31 March 2018
Opening				
Finished goods	56,319	56,319	73,615	73,615
Closing				
Finished goods	168,737	168,737	56,319	56,319
		(112,418)		**17,296**

2.12 Employee benefits expense

	For the year ended 31 March 2019	For the year ended 31 March 2018
Salaries, wages and bonus	50,636	45,439
Contribution to provident and other funds	10,547	8,836
Staff welfare expenses	11,932	6,436
	73,115	**60,711**

2.13 Depreciation expense

	For the year ended 31 March 2019	For the year ended 31 March 2018
Depreciation of property, plant and equipment	3,394	1,414
	3,394	**1,414**

2.14 Finance costs

	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest on long-term borrowings	2,310	1,667
	2,310	**1,667**

2.15 Selling and other expenses

	For the year ended 31 March 2019	For the year ended 31 March 2018
Other selling expenses	32,511	10,911
Legal and professional	3,766	2,983
Travel and conveyance	10,904	9,195
Rent	5,585	2,751
Rates and taxes	3,430	86
Communication	971	681
Allowance for credit loss, net	53	2,533
Allowances for doubtful advances, net	5,733	-
Foreign exchange loss, net	30,208	-
Other general expenses	12,803	15,403
	105,964	**44,543**

Dr. Reddy's Laboratories SAS

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

Note 2 Notes to the financial statements (continued)

2.16 Going Concern

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

2.17 Related parties

a) The following is a summary of related party transactions

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest expense to holding company or other group companies:		
Dr. Reddy's Laboratories SA	2,310	1,667
Purchases from holding company or other group companies:		
Dr. Reddy's Farmaceutica Do Brasil Ltda.	16,097	-

b) The Company had the following amounts due from / to related parties

Particulars	As at 31 March 2019	As at 31 March 2018
Due to holding company and other group companies(included in non-current borrowings):		
Dr. Reddy's Laboratories SA	76,632	74,115
Due to holding company and other group companies(included in trade payables and other liabilities):		
Dr. Reddy's Laboratories Limited	237,376	72,416
Dr. Reddy's Laboratories SA	-	46,354

2.18 Income taxes

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 2019	As at 31 March 2018
Inventory	2,608	2,498
Trade receivables	3,044	605
Deferred tax asset, net	**5,652**	**3,103**

2.19 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 SAS

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

Note 2 Notes to the financial statements (continued)

2.20 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories SAS**

PSRVV Surya Rao
Partner
Membership No.: 202367

Avinash Mishra
Legal Representative

Place: Hyderabad
Date: 15 May 2019

Independent Auditors' Report

To the Members of
Dr. Reddy's Laboratories Taiwan Limited

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories Taiwan Limited.** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, 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 2019;

(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: 15 May 2019

Dr. Reddy's Laboratories Taiwan Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Current assets			
Financial assets			
Cash and cash equivalents	2.1	2,183	12,539
Other financial assets	2.2	247	-
Other current assets	2.3	541	290
		2,971	**12,829**
Total assets		**2,971**	**12,829**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.4	13,409	13,409
Other equity		(11,017)	(600)
		2,392	**12,809**
Liabilities			
Current liabilities			
Financial Liabilities			
Other financial liabilities	2.5	579	20
		579	**20**
Total equity and liabilities		**2,971**	**12,829**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Taiwan Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Taiwan Limited
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2019	For the period ended 23 February 2018 to 31 March 2018
Income			
Other income	2.6	309	-
Total income		**309**	**-**
Expenses			
Employee benefits expense	2.7	4,183	-
Selling and other expenses	2.8	6,543	600
Total expenses		**10,726**	**600**
Loss before tax		**(10,417)**	**(600)**
Tax expense			
Current tax		-	-
Deferred tax		-	-
Loss for the year		**(10,417)**	**(600)**
Other comprehensive income (OCI)		-	-
Total comprehensive loss for the year		**(10,417)**	**(600)**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Taiwan Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Taiwan Limited

Statement of Changes in Equity

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

Particulars	Equity share capital	Other components of equity	Total equity
		Reserves and surplus	
		Retained earnings	
Balance as at 1 April 2018	**13,409**	**(600)**	**12,809**
Loss for the year	-	(10,417)	(10,417)
Balance as at 31 March 2019	**13,409**	**(11,017)**	**2,392**

Particulars	Equity share capital	Other components of equity	Total equity
		Reserves and surplus	
		Retained earnings	
Balance as at 23 February 2018	-	-	-
Issue of equity shares	13,409	-	13,409
Loss for the period	-	(600)	(600)
Balance as at 31 March 2018	**13,409**	**(600)**	**12,809**

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 Taiwan Limited

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Taiwan Limited

Statement of Cash Flow

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

Particulars	For the year ended 31 March 2019	For the period ended 23 February 2018 to 31 March 2018
Cash flows from / (used in) operating activities		
Loss before tax	**(10,417)**	**(600)**
Adjustments:		
Foreign exchange loss / (gain), net	(295)	(30)
Finance income	(8)	-
Changes in operating assets and liabilities:		
Other assets and liabilities, net	75	(270)
Cash generated from operations	**(10,645)**	**(900)**
Income tax paid, net	-	-
Net cash from / (used in) operating activities	**(10,645)**	**(900)**
Cash flows from / (used in) investing activities		
Finance income received	8	-
Net cash used in investing activities	**8**	**-**
Cash flows from / (used in) financing activities		
Proceeds from issue of equity shares	-	13,409
Net cash from / (used in) financing activities	**-**	**13,409**
Net increase / (decrease) in cash and cash equivalents	(10,637)	12,509
Effect of exchange rate changes on cash and cash equivalents	281	30
Cash and cash equivalents at the beginning of the year (Refer note 2.2)	12,539	-
Cash and cash equivalents at the end of the year (Refer note 2.2)	**2,183**	**12,539**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Taiwan Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Taiwan Limited
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
Dr. Reddy's Laboratories Taiwan Limited (" the Company") incorporated on 23 February 2018 in Taiwan , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 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.

1.4 Significant accounting policies

a) Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
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 assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

b) 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.

c) Revenue
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes 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
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. 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.

d) 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.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Dr. Reddy's Laboratories Taiwan Limited
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

e) 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.

f) 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. General and specific 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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. Land is not depreciated.

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 and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

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

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. 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.

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 realisable 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 realisable 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.

Dr. Reddy's Laboratories Taiwan Limited
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

h) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

i) Provisions, contingent liabilities and contingent assets

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 a 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 balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

j) 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 Companny commits to purchase or sell the asset.

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.

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 and derivative financial instruments

k) 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.

l) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Laboratories Taiwan Limited

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

Note 2 Notes to the financial statements (continued)

Financial assets

2.1 Cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018
Balances with banks:		
- In current accounts	2,183	12,539
	2,183	**12,539**

2.2 Other current financial assets

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good		
Security deposits	247	-
	247	**-**

2.3 Other current assets

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good		
Balances with statutory authorities	101	-
Other advances	440	290
	541	**290**

2.4 Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised share capital		
TWD 6,000,000 (31 March 2018: TWD 6,000,000)*	13,409	13,409
Issued equity capital		
TWD 6,000,000 (31 March 2018: TWD 6,000,000)*	13,409	13,409
Subscribed and fully paid-up		
TWD 6,000,000 (31 March 2018: TWD 6,000,000)*	13,409	13,409
	13,409	**13,409**

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

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	Amount in TWD ('000)	% holding in the class	Amount in TWD ('000)	% holding in the class
Dr. Reddy's Laboratories SA	6,000	100.00	6,000	100.00

2.5 Other current financial liabilities

	As at 31 March 2019	As at 31 March 2018
Accrued expenses	-	20
Other liabilities payable to holding and other group companies	233	-
Others	346	-
	579	**20**

Dr. Reddy's Laboratories Taiwan Limited

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

Note 2 Notes to the financial statements (continued)

2.6 Other income

	For the year ended 31 March 2019	For the period 23 February 2018 to 31 March 2018
Foreign exchange gain, net	301	-
Interest income	8	-
	309	**-**

2.7 Employee benefits expense

	For the year ended 31 March 2019	For the year ended 23 February 2018 to 31 March 2018
Salaries, wages and bonus	3,985	-
Staff welfare expenses	198	-
	4,183	**-**

2.8 Selling and other expenses

	For the year ended 31 March 2019	For the year ended 23 February 2018 to 31 March 2018
Legal and professional	1,919	20
Rent	759	88
Travel and conveyance	459	-
Foreign exchange gain, net	-	1
Other general expenses	3,406	491
	6,543	**600**

2.9 Going Concern

The accounts have been prepared on Going Concern basis.

2.10 Related parties

a) The Company had the following amounts due from / to related parties

Particulars	As at 31 March 2019	As at 31 March 2018
Due to holding company and other group companies(included in current liabities):		
Dr. Reddy's Laboratories Limited	233	-

2.11 Income taxes

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.

2.12 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 Taiwan Limited

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

Note 2 Notes to the financial statements (continued)

2.13 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Taiwan Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

DR. REDDY'S LABORATORIES TENNESSEE LLC
SPECIAL PURPOSE STATEMENT OF FINANCIAL POSITION
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

		As of	
PARTICULARS	**Note**	**September 28, 2018**	**March 31, 2018**
ASSETS			
Current assets			
Cash and cash equivalents	9	-	34,943
Inventories	7	-	805,195
Other current assets	8	-	16,176,103
Total current assets		-	**17,016,241**
Non-current assets			
Property, plant and equipment	6	-	5,495,001
Deferred tax assets	16	-	1,270,348
Other non-current assets	8	-	1,975
Total non-current assets		-	**6,767,324**
Total assets		-	**23,783,565**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	-	98,832
Loans and Borrowings	15	-	37,539,146
Other current liabilities	12	-	2,072,706
Total current liabilities		-	**39,710,684**
Total liabilities		-	**39,710,684**
Equity			
Share capital	10	-	25,000,000
Retained Earnings		-	(41,063,552)
Share based payment reserve		-	136,433
Total equity		-	**(15,927,119)**
Total liabilities and equity		-	**23,783,565**

The accompanying notes form an integral part of these special purpose financial statements.

DR. REDDY'S LABORATORIES TENNESSEE LLC
SPECIAL PURPOSE INCOME STATEMENT
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	Note	For the period From April 01, 2018 to September 28, 2018	For the period From April 01, 2017 to March 31, 2018
Revenue	13	1,339,954	3,604,191
Cost of revenues		4,340,653	8,711,799
Gross loss		**(3,000,699)**	**(5,107,608)**
Selling, general and administrative expenses		2,088,981	1,286,507
Other (income)/expense, net	14	38,072	(349)
Total operating expenses		**2,127,053**	**1,286,158**
Loss before income tax		**(5,127,752)**	**(6,393,766)**
Tax (benefit) / expense	16	**17,106,877**	**(8,972,403)**
(Loss) / profit for the year		**(22,234,629)**	**2,578,637**

The accompanying notes are an integral part of special purpose financial statements

DR. REDDY'S LABORATORIES TENNESSEE LLC
SPECIAL PURPOSE STATEMENT OF COMPREHENSIVE INCOME
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	For the period	
	From April 01, 2018 to September 28, 2018	From April 01, 2017 to March 31, 2018
(Loss) / profit for the year	**(22,234,629)**	**2,578,637**
Other comprehensive income		
Items that will not be reclassified to Income Statement	-	-
Total items that will not be reclassified to Income statement	-	-
Items to be reclassified subsequently to Income statement:	-	-
Total items that to be reclassified subsequently to Income statement	-	-
Other comprehensive (loss) / income for the year, net of income tax	-	-
Total comprehensive (loss) / income for the year	**(22,234,629)**	**2,578,637**

The accompanying notes form an integral part of these special purpose financial statements.

DR. REDDY'S LABORATORIES TENNESSEE LLC
SPECIAL PURPOSE 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	Retained earnings	Total
Balance as of April 01, 2017 (A)	**25,000,000**	**108,280**	**(43,642,189)**	**(18,533,909)**
Total Comprehensive income				
Profit for the period	-	-	2,578,637	**2,578,637**
Total Comprehensive income (B)	**-**	**-**	**2,578,637**	**2,578,637**
Transactions with owners of the Company				
Contributions and distributions				
Share based payment expense	-	28,153	-	**28,153**
Total contributions and distributions	**-**	**28,153**	**-**	**28,153**
Total transactions with owners of the Company (C)	-	28,153	-	**28,153**
Balance as of March 31,2018 [(A)+(B)+(C)]	**25,000,000**	**136,433**	**(41,063,552)**	**(15,927,119)**
Balance as of April 01, 2018 (A)	**25,000,000**	**136,433**	**(41,063,552)**	**(15,927,119)**
Total Comprehensive income				
Loss for the period	-	-	(22,234,629)	**(22,234,629)**
Total Comprehensive income (B)	**-**	**-**	**(22,234,629)**	**(22,234,629)**
Transactions with owners of the Company				
Contributions and distributions				
Share based payment expense	-	4,720	-	**4,720**
Net assets attributable to equity shareholders on transfer of membership interest	(25,000,000)	(141,153)	63,298,181	**38,157,028**
Total contributions and distributions	**(25,000,000)**	**(136,433)**	**63,298,181**	**38,161,748**
Total transactions with owners of the Company (C)	(25,000,000)	(136,433)	63,298,181	**38,161,748**
Balance as of September 28, 2018 [(A)+(B)+(C)]	**-**	**-**	**-**	**-**

DR. REDDY'S LABORATORIES TENNESSEE LLC
SPECIAL PURPOSE STATEMENT OF CASH FLOWS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	For the period	
	From April 01, 2018 to September 28, 2018	**From April 01, 2017 to March 31, 2018**
Cash flows from/(used in) operating activities:		
(Loss)/profit for the year	(22,234,629)	2,578,637
Adjustments for:		
Depreciation	115,505	509,754
Impairment loss on Property, plant and equipment (including Capital Work in Progress)	1,399,620	-
Share based payment expense	4,720	28,153
Inventory write down	37,825	336,825
Income tax expense / (benefit)	17,106,877	(8,972,403)
Changes in operating assets and liabilities:		
Inventories	767,370	(468,217)
Other assets	201,003	(204,952)
Trade and other payables	(96,950)	47,065
Other liabilities	(2,072,706)	256,982
Net cash used in operating activities	**(4,771,365)**	**(5,888,156)**
Cash flows from/(used in) investing activities:		
Purchase of property, plant and equipment	(22,006)	(233,728)
Net cash used in investing activities	**(22,006)**	**(233,728)**
Cash flows from/(used in) financing activities:		
Proceeds from loans and borrowings from parent company, net	4,758,428	6,096,165
Net cash from financing activities	**4,758,428**	**6,096,165**
Net decrease in cash and cash equivalents	**(34,943)**	**(25,719)**
Cash and cash equivalents at the beginning of the year	34,943	60,662
Cash and cash equivalents at the end of the year	**-**	**34,943**

The accompanying notes form an integral part of these special purpose financial statements.

DR. REDDY'S LABORATORIES TENNESSEE LLC

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

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 special purpose financial statements

a. Statement of compliance

The parent company, Dr.Reddy's Laboratories Inc. has transferred membership interest of the entity to Neopharma Inc. as on 28th September 2018 and hence the accounts of the company are drwan to reflect the trasactions for the period ended 28th September 2018 and are not prepared on going concern basis.

The Special purpose financial statements for the period ended September 28, 2018 comprising of the special purpose statement of financial position as at September 28, 2018, and the special purpose statement of comprehensive income, the special purpose statement of changes in equity and the special purpose statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements") in accordance with the recognition and measurement principles laid down by the International Financial Reporting Standards (IFRSs), solely for the purpose of providing information to Dr. Reddy's Laboratories Limited to enable its preparation of consolidated financial statements of Dr. Reddy's laboratories Inc. for the year ended March 31, 2019 in accordance with International Financial Reporting Standards.

The Special purpose financial statements does not include all the information and disclosures required in the annual financial statements and has been prepared solely for the purpose as explained above.

b. Basis of measurement

These special purpose financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the statement of financial position:

• derivative financial instruments are measured at fair value;
• certain financial assets are measured either at fair value or at amortized cost depending on the classification;
• assets held for sale are measured at fair value less costs to sell; and,
• share-based payments are measured at fair value.

c. Functional 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 special purpose 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 recognised in the period in which the estimates are revised and in any future periods affected.

3. Significant accounting policies

a. Foreign currency

Foreign currency transactions

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 special purpose financial statements are recognised 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.

b. 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.

Accounting policies relating to financial instruments after March 31, 2018 are as follows:

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.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company's trade receivables do not contain any significant financing component and hence are measured at the transaction price measured under IFRS 15.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

• Debt instruments at amortized cost;
• Debt instruments at fair value through other comprehensive income (FVTOCI);
• Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL); and
• Equity instruments measured at fair value through other comprehensive income (FVTOCI).

Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the income statement. The losses arising from impairment are recognised in the income statement. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and

b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses and reversals and foreign exchange gain or loss in the income statement. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the income statement. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the income statement.

Equity investments

All equity investments in scope of IFRS 9 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the income statement, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Equity investments designated as FVTOCI are not subject to impairment assessment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the income statement.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's financial position) when:

• The rights to receive cash flows from the asset have expired; or

• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of trade receivables and other financial assets

In accordance with IFRS 9, 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 IFRS 15.

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 forward looking estimates are analysed.

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, 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.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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 income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to the income statement. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the income statement. The Company has not designated any financial liability as fair value through profit and loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

Derecognition

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, Balances with banks which are subject to insignificant risk of changes in value and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting policies relating to financial instruments for the periods ending on or prior to March 31, 2018 are as follows:

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in mutual funds, bonds, equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables and certain other assets and liabilities. Non-derivative financial instruments are recognised 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 balances with banks which are subject to insignificant risk of changes in value 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. After initial recognition, trade payables are recognised at amortized cost using the effective interest rate method.

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. After initial recognition, trade receivables are recognised at amortized cost using the effective interest rate method.

Debt instruments and other financial liabilities

The Company initially recognises debt instruments issued on the date that they originate. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. These are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other non-derivative financial instruments

Other non-derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method, less any impairment losses.

De-recognition of financial assets and liabilities

The Company derecognises a financial asset when the contractual right to the cash flows from that asset expires, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralized borrowing, at amortized cost, for the proceeds received The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised as profit or loss in the income statement.

c. Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

• Expected to be realised or intended to sold or consumed in the normal operating cycle
• Held primarily for the purpose of trading
• Expected to be realised within twelve months after the reporting period
Or
• Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

• It is expected to be settled in the normal operating cycle
• It is held primarily for the purpose of trading
• It is due to be settled within twelve months after the reporting period
Or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

d. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognised as a deduction from equity, net of any tax effects.

e. 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 net within "other (income/expense, net)" in income statement.

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 income statement as incurred.

Depreciation

Depreciation is recognised in income statement on a straight line basis over the estimated useful lives of property, plant and equipment. The depreciation expenses is included in the costs of the functions using the asset. Land is not depreciated.

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

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.

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 recognised 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 capitalised 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 recognised on the Company's statements of financial position. Payments made under operating leases are recognised in income statement on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Operating lease incentives received from the landlord are recognised 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 which are 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.

h. 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 a 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.

Contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the special purpose financial statements. However, contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

i. Revenue

The Company's revenue is derived from sales of goods and profit share revenues.

Accounting policies relating to revenue for the periods after March 31, 2018 are as follows:

Revenue is recognised when the control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either upon shipment or upon receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product.

Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

In arriving at the transaction price, the Company considers the terms of the contract with the customers and its customary business practices. The transaction price is the amount of consideration the Company is entitled to receive in exchange for transferring promised goods or services.

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 recognised in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur.

At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Accounting policies relating to revenue for periods ending on or prior to March 31, 2018 are as follows:

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.

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 recognised in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognised 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 recognised 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 special purpose financial statements for the applicable period.

Interest income:

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The 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 net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

j. Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

k. Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the income statement 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 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.

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 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.

l. Share-based payment transactions

Equity settled share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense in the income statement, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and performance conditions at the vesting date. 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 recognised in connection with share-based payment transaction is presented as a separate component in equity under “share-based payment reserve”. The amount recognised as an expense is adjusted to reflect the actual number of stock options that vest.

m. Government grants

The Company recognises 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.

n. Impairment

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 generate 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 recognised 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 recognised 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 equity accounted investee is measured by comparing the recoverable amount of investment with its carrying amount. An impairment loss is recognised in the income statement, and reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

o. Recent accounting pronouncements

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

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 annual reporting 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.

Upon adoption, a portion of the annual operating lease expense, which is currently fully recognised as functional expense, will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the cash flow statement as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities. The company does not have any operating lease commitments as at September 28, 2018 and March 31, 2018. Accordingly, the Company believes that the adoption of IFRS 16 will not have a material impact on its financial statements.

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, 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) 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.

(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.

(iv) Share-based payment transactions
The fair value of employee stock options is measured using the Black-Scholes-Merton valuation model. 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. Capital management

For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages it's capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt.

The capital gearing ratio as on September 28, 2018 and March 31, 2018 was NIL and 174% , respectively.

DR. REDDY'S LABORATORIES TENNESSEE LLC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

6. 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, 2017	1,250,000	10,026,365	5,753,477	61,000	960,304	**18,051,146**
Additions	-	-	51,728	-	4,386	**56,114**
Disposals	-	-	30,800	-	75,229	**106,029**
Balance as at March 31, 2018	**1,250,000**	**10,026,365**	**5,774,405**	**61,000**	**889,461**	**18,001,231**
Balance as at April 1, 2018	1,250,000	10,026,365	5,774,405	61,000	889,461	**18,001,231**
Additions	-	-	-	-	20,124	**20,124**
Disposals*	1,250,000	10,026,365	5,774,405	61,000	909,585	**18,021,355**
Balance As at September 28, 2018	-	-	-	-	-	-
Accumulated Depreciation						
Balance as at April 1, 2017	585,560	6,354,117	4,564,322	61,000	789,369	**12,354,368**
Depreciation during the year	-	224,865	211,077	-	73,812	**509,754**
Disposals		-	30,800	-	75,229	**106,029**
Balance as at March 31, 2018	585,560	6,578,982	4,744,599	61,000	787,952	**12,758,093**
Balance as at April 1, 2018	585,560	6,578,982	4,744,599	61,000	787,952	**12,758,093**
Depreciation during the period	-	49,477	47,521	-	18,507	**115,505**
Impairment**	-	869,885	251,471	-	26,401	**1,147,757**
Disposals*	585,560	7,498,344	5,043,591	61,000	832,860	**14,021,355**
Balance As at September 28, 2018	-	-	-	-	-	-
Net Carrying Value						
As at April 01, 2017	**664,440**	**3,672,249**	**1,189,158**	-	**170,935**	**5,696,782**
Add:-Capital Work in Progress						**78,890**
Total at April 01, 2017						**5,775,672**
As at March 31, 2018	**664,440**	**3,447,383**	**1,029,806**	-	**101,509**	**5,243,138**
Add:-Capital Work in Progress						**251,863**
Total at March 31, 2018						**5,495,001**
As at September 28, 2018	-	-	-	-	-	-
Add:-Capital Work in Progress						-
Total at September 28, 2018						-

*On account of trasfer of membership interest in the Company to Neopharma Inc.

*****Impairment note***

During the period, Dr. Reddy's Laboratories Inc. (Parent Company) has transferred membership interest in the Company to Neopharma Inc. Accordingly, in line with the provisions of IFRS 5 Non-current assets held for sale and discontinued operations, the assets were valued at lower of carrying amount and fair value less costs to sell which resulted in impairment loss on property, plant and equipment for the Company.

Capital commitment: As of September 28, 2018 and March 31, 2018 the Company had capital commitments of USD Nil and USD 161,761 under agreements for purchase of property plant and equipment. The amount is net of capital advances paid in respect of such agreements.

DR. REDDY'S LABORATORIES TENNESSEE LLC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

7. Inventories

Inventories consist of the following:

	As of	
	September 28, 2018	**March 31, 2018**
Raw materials	-	526,243
Packing materials, stores and spares	-	99,480
Finished goods	-	179,472
Total Inventories	**-**	**805,195**

During the period ended September 28, 2018 and March 31, 2018, the Company recorded inventory write-downs of USD 37,825 and USD 336,825 respectively. These adjustments are included as part of cost of revenues in the income statement.

Cost of revenues for the period ended September 28, 2018 and March 31, 2018 includes raw materials, consumables and changes in finished goods and work in progress recognised in the income statement USD 596,350 and USD 1,121,141 respectively. Cost of revenues for the period ended September 28, 2018 and March 31, 2018, includes other expenditures recognised in the income statement of USD 3,744,303 and USD 7,590,658 respectively

8. Other Assets

Other assets consist of the following:

	As of	
	September 28, 2018	**March 31, 2018**
Current		
Due from related party*	-	15,977,075
Prepaid expenses	-	199,028
Total Current Assets	**-**	**16,176,103**
Non-current		
Deposits and other assets – non current	-	1,975
Total Non-current Assets	**-**	**1,975**

* Refer note 15

9. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of	
	September 28, 2018	**March 31, 2018**
Current		
Cash balances	-	-
Balances with banks	-	34,943
Cash and cash equivalents in the statement of cash flow	**-**	**34,943**

10. Share Capital

	As of	
	September 28, 2018	**March 31, 2018**
Fully paid up capital	**-**	**25,000,000**
As at April 01	25,000,000	25,000,000
Less: Shares transferred to Neopharma Inc.	25,000,000	-
As at March 31	**-**	**25,000,000**

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.

11. Trade and other payables

Trade and other payables consist of the following:

	As of	
	September 28, 2018	**March 31, 2018**
Others trade payables	-	17,528
Capital creditors	-	1,882
Creditors for expenses	-	79,422
Total Trade and other payables	**-**	**98,832**

12. Other Liabilities

Other liabilities consist of the following:

	As of	
	September 28, 2018	**March 31, 2018**
Current Liabilities		
Accrued expenses	-	1,653,308
Other Current Liabilities	-	18,369
Other liabilities – related parties*	-	401,029
Total Current Liabilities	**-**	**2,072,706**

* Refer note 15

13. Revenue

Revenue consists of the following:

	For the period	
	From April 01, 2018 to September 28, 2018	**From April 01, 2017 to March 31, 2018**
Sales to related party*	695,154	1,177,049
Profit share from related party*	644,800	2,427,142
	1,339,954	**3,604,191**

* Refer note 15

14. Other (income)/expense, net

Other expense/ (income), net consist of the following:

	For the period	
	From April 01, 2018 to September 28, 2018	**From April 01, 2017 to March 31, 2018**
Miscellaneous (income)/expense, net	38,072	(349)
	38,072	**(349)**

DR. REDDY'S LABORATORIES TENNESSEE LLC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

15. Related parties

The Company has entered into transactions with the following related parties:

Dr. Reddy's Laboratories Limited	Ultimate Parent Company
Dr. Reddy's Laboratories Inc	Parent company
Dr. Reddy's Laboratories Louisiana, LLC	Company under common control
Promius Pharma LLC	Company under common control

The following is a summary of significant related party transactions:

Particulars	For the period	
	From April 01, 2018 to September 28, 2018	From April 01, 2017 to March 31, 2018
Loan from:		
Dr. Reddy's Laboratories Inc.	4,758,428	6,096,165
Sales to:		
Dr. Reddy's Laboratories Inc.	695,154	1,177,049
Profit share from:		
Dr. Reddy's Laboratories Inc.	644,800	2,427,142
Reimbursement of Expenses from:		
Dr. Reddy's Laboratories Louisiana, LLC	-	1,029

The Company has the following amounts due from related party (included in other current assets):

Particulars	As of	
	September 28, 2018	March 31, 2018
Dr. Reddy's Laboratories Inc.	-	15,977,075
Total amounts due from related party	**-**	**15,977,075**

The Company has the following amounts due to related parties (included in Loans and borrowings and Other current liabilities):

Particulars	As of	
	September 28, 2018	March 31, 2018
Dr. Reddy's Laboratories Inc. (refer note a)	-	37,539,146
Promius Pharma LLC	-	400,000
Dr. Reddy's Laboratories Louisiana, LLC	-	1,029
Total amounts due to related parties	**-**	**37,940,175**

Note a:

Represents loans and borrowings received from companies under common control. As the Parent Company has entered into an agreement with Neopharam Inc for transfer of membership interest in the Company, the entire loan balance has been transferred to Parent Company as part of Company's closure entries.

DR. REDDY'S LABORATORIES TENNESSEE LLC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

16. Income taxes

a. Income tax (expense)/benefit recognised in the income statement

Income tax (expense)/benefit recognised in the income statement consist of the following:

Particulars	**For the period**	
	From April 01, 2018 to September 28, 2018	**From April 01, 2017 to March 31, 2018**
Current taxes		
Current taxes (expense)/ benefit	(15,836,529)	14,531,881
Current tax effect of net operation losses carry back	-	(6,085,632)
	(15,836,529)	8,446,249
Deferred taxes		
Deferred taxes (expense)/benefit	(1,270,348)	1,674,734
Impact on account of change in enacted tax rate	-	(1,148,580)
	(1,270,348)	526,154
Total income tax (expense)/benefit in income statement	**(17,106,877)**	**8,972,403**

The Companies is considered as disregarded entity for the purpose of Income taxes. The tax expense in the Income Statement of the Company is on account of tax allocation from the consolidated tax benefit/ (expense) of Dr. Reddy's Laboratories Inc (Parent Company). The tax expenses are computed and presented at consolidated financial statements of Dr. Reddy's Laboratories Inc. as per the tax laws of the United States.

b. Income tax (expense)/benefit recognised directly in equity

There were no income tax expenses / benefits recognised directly in equity for the period ended September 28, 2018 and March 31, 2018.

c. Reconciliation of effective tax rate

Particulars	**For the period**	
	From April 01, 2018 to September 28, 2018	**From April 01, 2017 to March 31, 2018**
Loss before income taxes	(5,127,752)	(6,393,766)
Enacted tax rate in US	21.00%	33.71%
Computed expected tax benefit/(expense)	**(1,076,828)**	**2,155,364**
Effect of change in tax laws and rate	-	(1,148,580)
Expenses not deductible for tax purposes	-	(68,733)
Effect of permanent differences	-	(476,712)
Others	-	-
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	(16,030,049)	8,511,064
Income tax benefit/ (expense)	**(17,106,877)**	**8,972,403**
Effective tax rate	333.61%	-140.33%

The Company's weighted average effective tax rates for the period ended September 28, 2018 and March 31, 2018 were 333.61% and (140.33)%, respectively. The effective tax rate was effected for the year ended on Mar 31, 2018 on account of re-measurement of deferred tax assets and liabilities of the Company pursuant to the enactment of The Tax Cuts and Jobs Act of 2017 in the United States on 22 December 2017. This has resulted in a impact of USD (1,148,580) for the period ended 31 March 2018, primarily on account of a reduction in the federal income tax rate from 35% to 21% which is effective from Jan 1, 2018 onwards. Also, the rate change is due to allocation of Parent Down approach.

d. Unrecognised deferred tax assets and liabilities

During the period ending September 28, 2018 and March 31, 2018 the company did not have unrecognised 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:

Particulars	For the period	
	From April 01, 2018 to September 28, 2018	From April 01, 2017 to March 31, 2018
Deferred tax assets/(liabilities):		
Property plant and equipment	(976,052)	2,033,331
Operating loss carry forward	-	(6,085,632)
Trade receivable	(29,826)	1,924,306
R&D credit	-	(234,238)
Other current assets	(106,362)	(348,119)
Stock based compensation/ equity	(3,836)	(259,820)
Other current liabilities	(154,272)	3,496,326
Net deferred tax asset/(liabilities)	**(1,270,348)**	**526,154**

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.

f. Movement in temporary differences during the period ended September 28, 2018 and March 31, 2018:

The details of movement in deferred tax assets and liabilities are summarised below:

	As at March 31, 2018	Movement	As at September 28, 2018
Deferred tax assets/(liabilities)			
Property, plant and equipment	976,052	(976,052)	-
Trade receivable	29,826	(29,826)	-
Stock based compensation	3,836	(3,836)	-
Other current assets	106,362	(106,362)	-
R&D credit	-	-	-
Other current liabilities	154,272	(154,272)	-
Operating losses carried forward	-	-	-
Net deferred tax assets/(liabilities)	**1,270,348**	**(1,270,348)**	**-**

	As at March 31, 2017	Movement	As at March 31, 2018
Deferred tax assets/(liabilities)			
Property , plant and equipment	(1,057,279)	2,033,331	976,052
Trade receivable	(1,894,480)	1,924,306	29,826
Stock based compensation	263,656	(259,820)	3,836
Other current assets	454,481	(348,119)	106,362
R&D credit	234,238	(234,238)	-
Other current liabilities	(3,342,055)	3,496,326	154,272
Operating losses carried forward	6,085,632	(6,085,632)	-
Net deferred tax assets/(liabilities)	**744,193**	**526,154**	**1,270,348**

DR. REDDY'S LABORATORIES TENNESSEE LLC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

17. Financial Instruments

Financial Instruments by category

The carrying value and fair value of the financial instruments by each category are as follows:

Particulars	Note	As of			
		September 28, 2018		March 31, 2018	
		Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
Assets:					
Cash and cash equivalents	9	-	-	34,943	34,943
Other assets*	8	-	-	15,977,075	15,977,075
Total		**-**	**-**	**16,012,018**	**16,012,018**
Liabilities:					
Trade and other payables	11	-	-	98,832	98,832
Loans and borrowings	15	-	-	37,539,146	37,539,146
Other liabilities and provisions#	12	-	-	1,946,055	1,946,055
Total		**-**	**-**	**39,584,033**	**39,584,033**

* Other assets that are not financial assets (such as prepaid expenses, advances paid and certain other receivables) of USD 199,028 as of March 31, 2018 are not included.

\# Other liabilities that are not financial liabilities (such as vacation accruals) of USD 126,651 as of March 31, 2018 are not included.

DR. REDDY'S LABORATORIES TENNESSEE LLC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

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 were past due or impaired as at September 28, 2018 and March 31, 2018.

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 September 28, 2018 and March 31, 2018 the Company had working capital deficit of USD NIL and USD 22,694,443 respectively.

The table below provides details regarding the contractual maturities of significant financial liabilities as at September 28, 2018:

Particulars	2019	2020	2021	2022	Thereafter	Total
Trade and other payables	-	-	-	-	-	-
Loans and borrowings	-	-	-	-	-	-
Other liabilities and provisions	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2018:

Particulars	2018	2019	2020	2021	Thereafter	Total
Trade and other payables	98,832	-	-	-	-	98,832
Loans and borrowings	37,539,146	-	-	-	-	37,539,146
Other liabilities and provisions	1,946,055	-	-	-	-	1,946,055
Total	**39,584,033**	**-**	**-**	**-**	**-**	**39,584,033**

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.

DR. REDDY'S LABORATORIES TENNESSEE LLC
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

19. Nature of Expense

The following table shows the expenses by nature:

Particulars	For the period ended September 28, 2018			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	2,225,307	134,340	-	2,359,647
Depreciation and amortization	115,505	-	-	115,505
	2,340,812	**134,340**	**-**	**2,475,152**

Particulars	For the period ended March 31, 2018			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	4,340,089	272,277	-	4,612,366
Depreciation and amortization	509,754	-	-	509,754
	4,849,843	**272,277**	**-**	**5,122,120**

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 period ended September 28, 2018 and March 31, 2018 was USD 111,280 and USD 211,616 respectively.

21. Subsequent Events

There are no subsequent events that occurred after the balance sheet date.

Independent Auditors' Report

To the Members of
Dr. Reddy's Laboratories (Thailand) Limited

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories (Thailand) Limited** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, 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 2019;

(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: 15 May 2019

Dr. Reddy's Laboratories (Thailand) Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2019
ASSETS		
Non-current assets		
Property, plant and equipment	2.1	2,652
Financial assets		
Security deposits		739
Other non financial assets		46
		3,437
Current assets		
Financial assets		
Cash and cash equivalents	2.2	1,849
Other current assets	2.3	932
		2,781
Total assets		**6,218**
EQUITY AND LIABILITIES		
Equity		
Equity share capital	2.4	23,310
Other equity		(20,214)
		3,096
Liabilities		
Current liabilities		
Financial Liabilities		
Other current financial liabilities	2.5	2,329
Other current liabilities	2.6	793
		3,122
Total equity and liabilities		**6,218**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Thailand) Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

Kailash Uday Patki
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories (Thailand) Limited
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the period 13 June 2018 to 31 March 2019
Income		
Sales		-
Total revenue from operations		-
Total income		-
Expenses		
Employee benefits expense	2.8	11,726
Depreciation expense	2.9	55
Selling and other expenses	2.10	8,433
Total expenses		**20,214**
Loss before tax		**(20,214)**
Tax expense		-
Loss for the period		**(20,214)**
Other comprehensive income (OCI)		-
Total comprehensive loss for the period		**(20,214)**
Earnings per share:		
Basic earnings per share of Baht 10/- each		(31.97)
Diluted earnings per share of Baht 10/- each		(31.97)

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Thailand) Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

Kailash Uday Patki
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories (Thailand) Limited

Statement of Changes in Equity

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

Particulars	Equity share capital	Other components of equity	Total equity
		Reserves and surplus	
		Retained earnings	
Balance as at 13 June 2018	-	-	-
Issue of equity shares	23,310	-	23,310
Profit for the period	-	(20,214)	(20,214)
Balance as at 31 March 2019	**23,310**	**(20,214)**	**3,096**

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 (Thailand) Limited

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

Kailash Uday Patki
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories (Thailand) Limited
Statement of Cash Flow
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the period 13 June 2018 to 31 March 2019
Cash flows from / (used in) operating activities	
Loss before tax	**(20,214)**
Adjustments:	
Depreciation expense	55
Foreign exchange loss, net	(232)
Changes in operating assets and liabilities:	
Other assets and liabilities, net	1,457
Cash generated used in operations	**(18,934)**
Income tax paid, net	-
Net cash used in operating activities	**(18,934)**
Cash flows from / (used in) investing activities	
Purchase of property, plant and equipment	(2,754)
Net cash used in investing activities	**(2,754)**
Cash flows from / (used in) financing activities	
Proceeds from issue of equity shares	23,310
Net cash from financing activities	**23,310**
Net decrease in cash and cash equivalents	1,622
Effect of exchange rate changes on cash and cash equivalents	227
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	**1,849**

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 (Thailand) Limited

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

Kailash Uday Patki
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories (Thailand) Limited
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
Dr. Reddy's Laboratories (Thailand) Limited (" the Company") incorporated on 13 June 2018 in Thailand , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 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.

1.4 Significant accounting policies

a) Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
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 assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

b) 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.

c) Revenue
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.
Services
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
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. 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.

d) 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.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Dr. Reddy's Laboratories (Thailand) Limited
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

e) 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.

f) 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.

g) 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. General and specific 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.
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. Land is not depreciated.
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 and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .
The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.
Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. 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.

h) 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 realisable 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 realisable 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.

Dr. Reddy's Laboratories (Thailand) Limited
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

i) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

Cash settled share-based payments

The fair value of the amount payable to employees in respect of share-based payment transactions which are settled in cash is recognised as an expense, with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at the settlement date based on the fair value of the share-based payment transaction. Any changes in the liability are recognised in the statement of profit and loss.

j) Provisions, contingent liabilities and contingent assets

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 a 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 balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

k) 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 Companny commits to purchase or sell the asset.

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.

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 and derivative financial instruments

l) 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.

m) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Laboratories (Thailand) Limited

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

Note 2 Notes to the financial statements

2.1 Property, plant and equipment

Particulars	Gross carrying value				Accumulated depreciation				Net carrying value
	As at 13 June 2018	Additions	Disposals	As at 31 March 2019	As at 13 June 2018	For the period	Disposals	As at 31 March 2019	As at 31 March 2019
Furniture, fixtures and office equipment	-	2,707	-	2,707	-	55	-	55	2,652
Total	**-**	**2,707**	**-**	**2,707**	**-**	**55**	**-**	**55**	**2,652**

Dr. Reddy's Laboratories (Thailand) Limited

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

Note 2 Notes to the financial statements (continued)

2.2 Financial assets

2.2 Cash and cash equivalents

	As at 31 March 2019
Balances with banks:	
- In current accounts	1,849
	1,849

2.3 Other current assets

	As at 31 March 2019
Unsecured, considered good	
Prepaid expenses	130
Others	802
	932

2.4 Share capital

	As at 31 March 2019
Authorised share capital	
3,000,000 equity shares of Baht 10/- each	68,025
Issued equity capital	
1,028,000 equity shares of Baht 10/- each	23,310
Subscribed and fully paid-up	
1,028,000 equity shares of Baht 10/- each	23,310
	23,310

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

Particulars	**For the period ended 31 March 2019**	
	No. of equity shares	**Amount**
Number of shares outstanding at the beginning of the period	-	-
Add: Equity shares issued during the period	1,028,000	23,310
Number of shares outstanding at the end of the period	**1,028,000**	**23,310**

(b) **Terms / rights attached to the equity shares**

The Company has only one class of equity shares having a par value of Baht 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 2019**	
	No. of equity shares held	**% holding in the class**
Dr. Reddy's Laboratories SA	1,028,000	100.00

Dr. Reddy's Laboratories (Thailand) Limited

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

Note 2 Notes to the financial statements (continued)
2.5 Financial Liabilities

2.5 Other current financial liabilities

	As at 31 March 2019
Accrued expenses	2,329
	2,329

2.6 Other current liabilities

	As at 31 March 2019
Salary and bonus payable	349
Due to statutory authorities	444
	793

Dr. Reddy's Laboratories (Thailand) Limited

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

Note 2 Notes to the financial statements (continued)

2.7 Employee benefits expense

	For the period 13 June 2018 to 31 March 2019
Salaries, wages and bonus	9,942
Contribution to provident and other funds	55
Staff welfare expenses	1,729
	11,726

2.8 Depreciation expense

	For the period 13 June 2018 to 31 March 2019
Depreciation of property, plant and equipment	55
	55

2.9 Selling and other expenses

	For the period 13 June 2018 to 31 March 2019
Other selling expenses	4,577
Legal and professional	1,269
Travel and conveyance	1,000
Rent	644
Rates and taxes	58
Foreign exchange loss, net	566
Other general expenses	319
	8,433

2.10 Going Concern

The accounts have been prepared on Going Concern basis.

Dr. Reddy's Laboratories (Thailand) Limited

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

Note 2 Notes to the financial statements (continued)

2.11 Related parties

The company had no transactions with, and no amounts due to or due from related parties during the year ended and as at March 31, 2019 respectively.

2.12 Income taxes

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.

2.13 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.

2.14 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

2.15 The Company is incorporated on 13 June 2018 and accordingly the comparitive figures are not presented.

for and on behalf of the Board of Directors of
Dr. Reddy's Laboratories (Thailand) Limited

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

Kailash Uday Patki
Director

Place: Hyderabad
Date: 15 May 2019

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 2019, 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 2019;

(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: 15 May 2019

Dr. Reddy's Laboratories (UK) Limited
Balance Sheet
(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	1,741	1,648
Capital work-in-progress		349	294
Other intangible assets	2.2	896	486
Deferred tax assets, net	2.19	228	243
		3,214	**2,671**
Current assets			
Inventories	2.5	7,007	2,465
Financial assets			
Trade receivables	2.3 A	8,786	6,665
Cash and cash equivalents	2.3 B	359	870
Loans	2.3 C	16,396	17,997
Other financial assets	2.3 D	139	186
Other current assets	2.4	957	520
		33,644	**28,703**
Total assets		**36,858**	**31,374**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.6	1	1
Other equity		26,482	24,409
		26,483	**24,410**
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	2.7 A	2	2
Other non-current liabilities	2.9 A	267	267
		269	**269**
Current liabilities			
Financial Liabilities			
Trade payables	2.7 C	7,551	4,454
Other financial liabilities	2.7 B	1,708	1,019
Liabilities for current tax, net		97	638
Provisions	2.8	73	143
Other current liabilities	2.9 B	677	441
		10,106	**6,695**
Total equity and liabilities		**36,858**	**31,374**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

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: 15 May 2019

Dr. Reddy's Laboratories (UK) Limited
Statement of Profit and Loss
(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Income			
Sales	2.9	24,525	33,918
License fees and service income		23	120
Other operating income		1	14
Total revenue from operations		**24,549**	**34,052**
Other income	2.10	1,752	566
Total income		**26,301**	**34,618**
Expenses			
Cost of materials consumed		11,932	7,793
Purchase of traded goods		8,703	6,150
(Increase) / decrease in inventories of finished goods, work-in-progress and stock-in-trade	2.11	(4,624)	4,497
Employee benefits expense	2.12	3,250	2,843
Depreciation and amortisation expense	2.13	196	202
Selling and other expenses	2.15	4,323	4,021
Total expenses		**23,780**	**25,506**
Profit before tax		**2,521**	**9,112**
Tax expense			
Current tax		437	1,236
Deferred tax		11	(1)
Profit for the year		**2,073**	**7,877**
Other comprehensive income (OCI)		**-**	**-**
Total comprehensive profit for the year		**2,073**	**7,877**
Earnings per share:			
Basic earnings per share of GBP 1/- each		207,300	787,700
Diluted earnings per share of GBP 1/- each		207,300	787,700

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

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: 15 May 2019

Dr. Reddy's Laboratories (UK) Limited
Statement of Changes in Equity
(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Particulars	Equity share capital	Other components of equity		Total equity
		Reserves and surplus		
		Other reserves	Retained earnings	
Balance as at 1 April 2018	**1**	**286**	**24,123**	**24,410**
Profit for the year	-		2,073	2,073
Balance as at 31 March 2019	**1**	**286**	**26,196**	**26,483**

Particulars	Equity share capital		Other components of equity	Total equity
			Reserves and surplus	
			Retained earnings	
Balance as at 1 April 2017	**1**	**286**	**16,246**	**16,533**
Profit for the year	-		7,877	7,877
Balance as at 31 March 2018	**1**	**286**	**24,123**	**24,410**

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 (UK) Limited

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Subir Kohli
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories (UK) Limited

Statement of Cash Flow

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

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Cash flows from / (used in) operating activities		
Profit before tax	**2,521**	**9,112**
Adjustments:		
Depreciation and amortisation expense	196	202
Foreign exchange loss / (gain), net	325	(2,093)
Finance income	(440)	(329)
Allowance for sales returns	5	100
Provision for inventory obsolescence	521	822
Allowances for credit losses, net	(1)	-
Allowances for doubtful advances, net		8
Changes in operating assets and liabilities:		
Trade receivables	(2,295)	5,572
Inventories	(5,062)	3,739
Trade payables	3,261	(7,467)
Other assets and liabilities, net	463	(2,664)
Cash generated from operations	**(506)**	**7,002**
Income tax paid, net	(976)	(1,087)
Net cash from / (used in) operating activities	**(1,482)**	**5,915**
Cash flows from / (used in) investing activities		
Purchase of property, plant and equipment	(289)	(602)
Purchase of intangible assets	(433)	(142)
Finance income received	3	2
Loans and advances repaid by/(given to) holding company and other group companies,net	1,705	(6,669)
Net cash used in investing activities	**986**	**(7,411)**
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	(496)	(1,496)
Effect of exchange rate changes on cash and cash equivalents	(15)	206
Cash and cash equivalents at the beginning of the year (Refer note 2.2C)	870	2,160
Cash and cash equivalents at the end of the year (Refer note 2.2 C)	**359**	**870**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

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: 15 May 2019

Dr. Reddy's Laboratories (UK) Limited
(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
Dr. Reddy's Laboratories (UK) Limited (" the Company") incorporated in the United Kingdom , is a 100% subsidiary of Dr. Reddy's Laboratories(EU) Limited.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 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.

1.4 Significant accounting policies
a) Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
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 assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

b) 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.

c) Revenue from contracts with customers
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes 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
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. 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.

d) 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.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Dr. Reddy's Laboratories (UK) Limited
(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

e) 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.

f) 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.

g) 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. General and specific 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.
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. Land is not depreciated.
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 and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .
The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.
Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. 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.

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

Note 1 Description of the Company and significant accounting policies (continued)

i) 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 realisable 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 realisable 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.

j) Employee benefits
Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

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

l) 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 Companny commits to purchase or sell the asset.
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.
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 and derivative financial instruments

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

n) Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

o) Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Laboratories (UK) Limited

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

Note 2 Notes to the financial statements

2.1 Property, plant and equipment

Particulars	Gross carrying value				Accumulated depreciation				Net carrying value
	As at 1 April 2018	Additions	Disposals	As at 31 March 2019	As at 1 April 2018	For the year	Disposals	As at 31 March 2019	As at 31 March 2019
Land	152	-	23	129	-	-	-	-	129
Building	2,022	126	43	2,105	714	67	43	738	1,367
Plant and Machinery	2,461	86	-	2,547	2,313	75	-	2,388	159
Lease hold improvements	173	-	-	173	173	-	-	173	-
Furniture, fixtures and office equipment	564	77	-	641	524	31	-	555	86
Total	**5,372**	**289**	**66**	**5,595**	**3,724**	**173**	**43**	**3,854**	**1,741**
Previous year	4,856	516	-	5,372	3,587	137	-	3,724	1,648

2.2 Intangibles assets

Particulars	Gross carrying value				Accumulated amortisation				Net carrying value
	As at 1 April 2018	Additions	Disposals	As at 31 March 2019	As at 1 April 2018	For the year	Disposals	As at 31 March 2019	As at 31 March 2019
Intangibles	1,180	433		1,613	694	23		717	896
Total	**1,180**	**433**	**-**	**1,613**	**694**	**23**	**-**	**717**	**896**
Previous year	1,038	142	-	1,180	629	65	-	694	486

Dr. Reddy's Laboratories (UK) Limited

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

Note 2 Notes to the financial statements (continued)

2.3 Financial assets

2.3 A. Trade receivables

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good	8,786	6,665
Unsecured, considered doubtful	13	13
	8,799	**6,678**
Less: Allowance for credit loss	(13)	(13)
	8,786	**6,665**

2.3 B. Cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018
Balances with banks:		
- In current accounts	358	408
- Deposit accounts (original maturity less than 3 months)	-	461
Cash on hand	1	1
	359	**870**

2.3 C. Loans

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good		
Loans and advances given to holding company and other group companies	16,396	17,997
	16,396	**17,997**

2.3 D. Other financial assets

	As at 31 March 2019	As at 31 March 2018
Other receivables from holding company and other group companies	139	186
	139	**186**

2.4 Other current assets

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good		
Prepaid expenses	46	42
Others	911	478
	957	**520**

2.5 Inventories

	As at 31 March 2019	As at 31 March 2018
Work-in-progress	728	68
Finished goods	2,335	650
Stock-in-trade	3,832	1,553
Stores, spares and packing materials	112	194
	7,007	**2,465**

Dr. Reddy's Laboratories (UK) Limited

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

Note 2 Notes to the financial statements (continued)

2.6 Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised share capital		
1,000 equity shares of GBP 1/- each (31 March 2018: 1,000)	1	1
Issued equity capital		
1,000 equity shares of GBP 1/- each (31 March 2018: 1,000)	1	1
Subscribed and fully paid-up		
1,000 equity shares of GBP 1/- each (31 March 2018: 1,000)	1	1
	1	**1**

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

Particulars	For the year ended 31 March 2019		For the year ended 31 March 2018	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	1,000	1	1,000	1
Add: Equity shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**1,000**	**1**	**1,000**	**1**

(b) **Terms / rights attached to the equity shares**

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

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class
Dr. Reddy's Laboratories (EU) Limited	1,000	100.00	1,000	100.00

2.7 Financial Liabilities

2.7 A. Non-current borrowings

	As at 31 March 2019	As at 31 March 2018
Unsecured		
Long-term loans from related parties	2	2
	2	**2**

2.7 B. Other current financial liabilities

	As at 31 March 2019	As at 31 March 2018
Due to capital creditors	49	15
Accrued expenses	1,582	977
Other payable to holding company and other group companies	60	12
Others	17	15
	1,708	**1,019**

2.7 C. Trade payables

	As at 31 March 2019	As at 31 March 2018
Trade payables	7,551	4,454
	7,551	**4,454**

Dr. Reddy's Laboratories (UK) Limited

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

Note 2 Notes to the financial statements (continued)

2.8 Current provisions

	As at 31 March 2019	As at 31 March 2018
Allowance for sales returns	73	143
	73	**143**

2.9 Other liabilities

	As at 31 March 2019	As at 31 March 2018
A. Non-current liabilities		
Deferred revenue	267	267
	267	**267**
B. Current liabilities		
Salary and bonus payable	270	242
Due to statutory authorities	336	135
Advance from customers	15	35
Others	56	29
	677	**441**

Dr. Reddy's Laboratories (UK) Limited

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

Note 2 Notes to the financial statements (continued)

2.10 Sales

	For the year ended 31 March 2019	For the year ended 31 March 2018
Sales	24,525	33,918
	24,525	**33,918**

2.11 Other operating income

	For the year ended 31 March 2019	For the year ended 31 March 2018
Scrap sales	1	2
Miscellaneous income	-	12
	1	**14**

2.12 Other income

	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest income	3	2
Interest income on loan to subsidiaries	437	327
Foreign exchange gain, net	1,312	237
	1,752	**566**

2.13 Changes in inventories of finished goods, work-in-progress and stock-in-trade

		For the year ended 31 March 2019		For the year ended 31 March 2018
Opening				
Work-in-progress	68		133	
Finished goods	650		3,432	
Stock-in-trade	1,553	2,271	3,203	6,768
Closing				
Work-in-progress	728		68	
Finished goods	2335		650	
Stock-in-trade	3,832	6,895	1,553	2,271
		(4,624)		**4,497**

2.14 Employee benefits expense

	For the year ended 31 March 2019	For the year ended 31 March 2018
Salaries, wages and bonus	3,172	2,774
Staff welfare expenses	78	69
	3,250	**2,843**

2.15 Depreciation and amortisation expense

	For the year ended 31 March 2019	For the year ended 31 March 2018
Depreciation of property, plant and equipment	173	137
Amortisation of intangible assets	23	65
	196	**202**

2.16 Selling and other expenses

	For the year ended 31 March 2019	For the year ended 31 March 2018
Consumption of stores, spares and other materials	7	-
Advertisements	-	4
Carriage outward	295	350
Other selling expenses	592	654
Legal and professional	905	980
Power and fuel	53	45
Repairs and maintenance		
Plant and machinery	109	76
Others	194	187
Insurance	64	68
Travel and conveyance	188	163
Rent	12	14
Rates and taxes	755	831
Communication	71	66
Allwoances for doubtful advances, net	-	8
Other general expenses	1,078	575
	4,323	**4,021**

Dr. Reddy's Laboratories (UK) Limited

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

Note 2 Notes to the financial statements (continued)

2.17 Going Concern

The accounts have been prepared on Going Concern basis.

2.17 Related parties

a) The following is a summary of related party transactions

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Sales and services rendered to holding company and other group companies:		
betapharm Arzneimittel GmbH	139	137
Dr. Reddy's Laboratories SA	-	14
Dr. Reddy's SRL	1,089	1,601
Reddy Pharma Iberia SA	468	385
Reddy Pharma SAS	-	99
Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	9,367	4,689
Dr. Reddy's Laboratories SA	45	140
Dr. Reddy's Laboratories (EU) Limited	132	68
Industrias Quimicas Falcon de Mexico SA de CV	641	293
Sale of assets to holding company and other group com panies:		
Dr. Reddy's Laboratories Limited	40	-
Reimbursement of expenses to holding company and other group companies:		
Dr. Reddy's Laboratories (EU) Limited	132	68
Interest income from holding company and other group companies:		
Dr. Reddy's Laboratories SA	437	327

b) The Company had the following amounts due from / to related parties

Particulars	As at 31 March 2019	As at 31 March 2018
Due from holding company and other group companies(included in trade receivables):		
Reddy Pharma Iberia SA	359	723
betapharm Arzneimittel GmbH	7	33
Dr. Reddy's SRL	1,446	1,548
Reddy Pharma SAS	69	204
Dr. Reddy's Laboratories SA	1	15
Due from holding company and other group companies(included in loans and other current financial assets):		
Dr. Reddy's Laboratories Limited	-	79
Dr. Reddy's Laboratories SA	16,535	18,104
Due to holding company and other group companies(included in non-current borrowings):		
Dr. Reddy's Laboratories (EU) Limited	2	2
Due to holding company and other group companies(included in trade payables and other liabilities):		
Dr. Reddy's Laboratories Limited	5,368	2,267
Dr. Reddy's Laboratories Inc.	6	-
betapharm Arzneimittel GmbH	9	-
Chirotech Technology Limited	9	9
Dr. Reddy's Laboratories (EU) Limited	36	3
Dr. Reddy's Laboratories SA	-	144

2.18 Income taxes

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 2019	As at 31 March 2018
Property, plant and equipment	205	207
Trade receivables	7	19
Current liabilities and provisions	16	17
Deferred tax asset, net	**228**	**243**

2.19 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 (UK) Limited

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

Note 2 Notes to the financial statements (continued)

2.20 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

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: 15 May 2019

Independent Auditors' Report

To the Members of
Dr. Reddy's Research and Development B V (Formerly Octoplus B.V.)

We have audited the accompanying financial statements of **Dr. Reddy's Research and Development B V (Formerly Octoplus B.V.)** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, 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 2019;

(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: 15 May 2019

Dr. Reddy's Research and Development B V
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property, plant and equipment	2.1	439,713	594,130
Capital work- in - progress		1,490	22,807
Intangible assets	2.1	17,807	18,525
Deferred tax assets (net)		4,865	36,882
Total non current assets		**463,875**	**672,344**
Current assets			
Financial assets			
Investments	2.2	-	385,131
Trade receivables	2.3	132,897	139,536
Cash and cash equivalents	2.4	91,294	57,931
Loans	2.5	1,931,560	1,904,760
Other assets	2.6	175,096	81,718
Other current assets	2.7	64,908	19,869
Total current assets		**2,395,755**	**2,588,945**
Total assets		**2,859,630**	**3,261,289**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.8	460,464	460,464
Other equity		(1,120,522)	(1,055,456)
Total equity		**(660,058)**	**(594,992)**
Non current liabilities			
Financial Liabilities			
Borrowings	2.9	988,324	1,334,784
Other non-current liabilities		2,325,039	2,240,894
		3,313,363	**3,575,678**
Current liabilities			
Financial Liabilities			
Trade payables	2.10	42,811	26,067
Other current financial liabilities	2.11	110,236	190,143
Provisions	2.12	29,734	38,578
Other current liabilities	2.13	23,544	25,815
Total Liabilities		**206,325**	**280,603**
Total equity and liabilities		**2,859,630**	**3,261,289**

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 Research and Development B V**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Research and Development B V
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Revenue from operations	2.14	984,393	1,082,383
Other Income	2.15	101,846	814
Total Income		**1,086,239**	**1,083,197**
Expenses			
Cost of raw material and components consumed		(19,878)	(9,840)
Employee benefits expense	2.16	405,364	451,471
Depreciation	2.17	201,745	196,171
Finance costs	2.18	11,468	10,849
Other expenses	2.19	566,357	518,155
Total expense		**1,165,056**	**1,166,806**
Profit/(Loss) before tax		**(78,817)**	**(83,609)**
Income tax expense	2.20	30,772	39,182
Profit/(Loss) for the year		**(109,589)**	**(122,791)**
Other Comprehensive Income (OCI)			
Items that will be reclassified subsequently to profit or loss		44,523	(85,581)
Income tax on items that will be reclassified subsequently to profit or loss		-	-
		44,523	**(85,581)**
Total comprehensive income for the year		**(65,065)**	**(208,372)**
Earnings per share			
Basic - Par value EUR 0.12 per share		(2.08)	(2.33)
Diluted - Par value EUR 0.12 per share		(2.08)	(2.33)
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 Research and Development B V**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Research and 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		Reserves and Surplus		Other Comprehensive Income	Total Equity
	Shares	Amount	Securities Premium	Retained Earnings	Foreign currency translation reserve	
Balance as of 1 April 2018	**52,673,974**	**460,464**	**5,376,854**	**(6,404,764)**	**(27,546)**	**(594,992)**
Shares issued during the year		-				
Profit/(Loss) for the year	-	-	-	(109,589)	44,523	(65,065)
Balance as of 31 March 2019	**52,673,974**	**460,464**	**5,376,854**	**(6,514,353)**	**16,977**	**(660,058)**
Balance as on 1 April 2017	**52,673,974**	**460,464**	**5,376,854**	**(6,281,973)**	**58,035**	**(386,620)**
Shares issued during the year						
Profit/(Loss) for the year	-	-	-	(122,791)	(85,581)	(208,372)
Balance as of 31 March 2018	**52,673,974**	**460,464**	**5,376,854**	**(6,404,764)**	**(27,546)**	**(594,992)**

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Research and Development B V**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Research and Development B V

Cash Flow Statement

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

	For the year ended 31 March 2019	For the year ended 31 March 2018
Operating activities		
Profit/(Loss) before taxation	(78,817)	(83,609)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation	201,745	196,171
Finance costs	11,468	10,848
Interest Income	(101,846)	-
Net foreign exchange differences	105,934	(473)
Loss on sale of investments	124,470	
Profit on disposal of property,plant and equipment	(1,034)	1,815
Operating cash flows before working capital changes	**261,920**	**124,752**
Working capital adjustments:		
Trade and other receivables	(1,054)	45,631
Trade payables	19,210	(60,230)
Other assets & liabilities,net	(137,121)	372,082
	142,955	**482,235**
Income tax paid	-	-
Net cash flows from operating activities	**142,955**	**482,235**
Net cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	1,522	(9)
Purchase of property, plant and equipment	(56,074)	(60,320)
Proceeds from sale/(Purchase) of investments in subsidiaries	260,662	(385,131)
Interest received	(2,006)	-
	204,104	**(445,460)**
Net cash flows from/ (used in) financing activities		
Repayment of long term borrowings	(310,698)	(43,668)
	(310,698)	**(43,668)**
Net increase / (decrease) in cash and cash equivalents	36,361	(6,893)
Cash and cash equivalents at the beginning of the year	57,931	52,246
Effect of foreign exchange (gain) / loss on cash and cash equivalents	(2,998)	12,578
Cash and cash equivalents at the end of the year	**91,294**	**57,931**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	91,294	57,931
Cash and bank balances at the end of the year	**91,294**	**57,931**

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 Research and Development B V**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Research and 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:

Description of the Company

Dr. Reddy's Research and Development B.V. (" the Company") incorporated in the Netherlands , is a 100% subsidiary of Reddy Netherlands B.V.

Basis of preparation of financial statements :

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

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 from contracts with customers

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes 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

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. 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 non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

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 assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed 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.

Dr. Reddy's Research and Development B V

Significant Accounting Policies & Notes to financial statements

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

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 - 30 years
- Ancillary structures	3 - 15 years
Plant and machinery	3 - 15 years
Furniture, fixtures and office equipment	3 - 10 years
Vehicles	4 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. 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.

Dr. Reddy's Research and Development B V

Significant Accounting Policies & Notes to financial statements

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

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.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Research and 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, 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 2019	For the year ended 31 March 2018
Interest income from holding company and other group companies:		
Eurobridge Consulting BV	101,846	-
Interest paid to holding company and other group companies:		
Reddy Netherlands B.V.	11,444	10,838
Dr. Reddy's Laboratories SA	24	11
Sales/ Services to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	977,755	1,015,858
Dr. Reddy's Laboratories SA	-	2,000

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

Particulars	As at 31 March 2019	As at 31 March 2018
Due from holding company and other group companies (included in other current assets and Loans and advances):		
Euro Bridge Consulting B.V.	2,105,454	1,904,760
Dr. Reddy's Laboratories (EU) Limited	249	-
Dr. Reddy's Laboratories Limited	73	80,974
Dr. Reddy's Laboratories SA	-	-
Due to holding company and other group companies (included in other financials liabilities):		
Reddy Antilles N.V.	-	48,997
Dr. Reddy's Laboratories (EU) Limited	298	304
Due to holding company and other group companies (included in long term borrowings):		
Reddy Netherlands B.V.	620,322	911,634
Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	127,749	128,353

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 2019	As at 31 March 2018
Deferred tax assets / (liabilities)		
Operating loss carry forward	4,865	36,882
Deferred tax asset, net	**4,865**	**36,882**

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 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Dr. Reddy's Research and 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:

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Dr. Reddy's Research and Development B V
Notes to Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.1 : Property, plant and equipment and other intangible assets

	Gross Block					Depreciation / Amortisation					Net Block	
Description	**As at 01.4.2018**	**Additions**	**Disposals**	**Forex**	**As at 31.03.2019**	**As at 01.4.2018**	**For the year**	**Disposals**	**Forex**	**As at 31.03.2019**	**As at 31.03.2019**	**As at 31.03.2018**
Building	484,747	33,234		(20,403)	497,578	177,722	36,949		(8,399)	206,272	291,306	307,025
Plant and machinery	1,058,456	23,186	10,428	(41,552)	1,029,662	780,541	160,131	9,428	(36,330)	894,914	134,748	277,915
Furniture and Fixtures & Office equipment	37,106	9,745		(2,002)	44,849	27,915	4,665		(1,391)	31,189	13,659	9,190
Total tangible assets (A)	**1,580,309**	**66,165**	**10,428**	**(63,957)**	**1,572,089**	**986,179**	**201,745**	**9,428**	**(46,120)**	**1,132,376**	**439,713**	**594,130**
Previous Year	1,321,033	48,958	9,883	220,201	1,580,309	673,513	196,171	8,077	124,572	986,179	594,130	647,520
Other intangibles	95,988	-	-	(3,723)	92,265	77,463	-	-	(3,005)	74,458	17,807	18,525
Total intangible assets (B)	**95,988**	**-**	**-**	**(3,723)**	92,265	**77,463**	**-**	**-**	**(3,005)**	**74,458**	**17,807**	**18,525**
Previous Year	82,310	-	-	13,678	95,988	66,425	-	-	11,038	77,463	18,525	15,885
TOTAL (A+B)	**1,676,297**	**66,165**	**10,428**	**(67,680)**	**1,664,354**	**1,063,642**	**201,745**	**9,428**	**(49,125)**	**1,206,834**	**457,520**	**612,655**

Dr. Reddy's Research and Development B V

Notes to Financial Statements

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

Financial assets

	As at 31 March 2019	As at 31 March 2018
2.2 : Investments		
(Investements carried at cost)		
Investment in subsidiaries	-	385,131
	-	**385,131**

	As at 31 March 2019	As at 31 March 2018
2.3 : Trade receivables		
Unsecured,considered good		
Receivable from holding company and other group companies	127,749	128,353
Receivable from Others	5,176	11,212
Less: Allowances for credit losses	(28)	(29)
	132,897	**139,536**

	As at 31 March 2019	As at 31 March 2018
2.4 : Cash and cash equivalents		
Balances with banks:		
- In current accounts	91,284	57,875
Cash on hand	10	56
	91,294	**57,931**

	As at 31 March 2019	As at 31 March 2018
2.5 : Loans and Advances		
Balances receivable from holding and other group companies	1,931,560	1,904,760
	1,931,560	**1,904,760**

	As at 31 March 2019	As at 31 March 2018
2.6 : Other Assets		
Other assets receivable from holding company and other group companies	174,216	80,974
Security Deposits	-	359
Other advances	880	385
	175,096	**81,718**

B. Other Assets

	As at 31 March 2019	As at 31 March 2018
2.7: Other current assets		
Other assets	15,195	537
Prepaid expenses	40,676	10,994
Balance with statutory agencies	9,037	8,338
	64,908	**19,869**

Dr. Reddy's Research and Development B V

Notes to Financial Statements

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

2.8 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
80,000,000 (31 March 2018: 80,000,000) ordinary shares of EUR 0.12 each	699,328	699,328
Issued equity capital		
52,673,974 (31 March 2018: 52,673,974) ordinary shares of EUR 0.12 each	460,464	460,464
Subscribed and fully paid-up		
52,673,974 (31 March 2018: 52,673,974) ordinary shares of EUR 0.12 each	460,464	460,464
	460,464	**460,464**

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	52,673,974	460,464	52,673,974	460,464
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**52,673,974**	**460,464**	**52,673,974**	**460,464**

(b) **Terms/rights attached to equity shares**

The company has only one class of equity shares having a par value of EUR 0.12 per share. Each holder of equity shares is entitled to one vote per share.

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	-	-	52,673,974	100%
Reddy Netherlands B.V.	52,673,974	100%	-	-

Financial Liabilities

	As at 31 March 2019	As at 31 March 2018
2.9: Non-current Borrowings		
Unsecured		
From other parties		
Long term borrowings from holding company and other group companies	620,322	911,634
Secured		
Long term maturities of finance lease obligations	368,003	423,150
	988,324	**1,334,784**

	As at 31 March 2019	As at 31 March 2018
2.10 : Trade Payables		
Payables to holding company and other group companies	-	-
Payables to others	42,811	26,067
	42,811	**26,067**

	As at 31 March 2019	As at 31 March 2018
2.11: Other current financial liabilities		
Accrued expenses	41,070	54,303
Other liabilities payable to holding and other group companies	298	49,301
Capital creditors	1,924	14,339
Trade and security deposits	28,214	35,315
Current maturities of long term debt	38,731	36,885
	110,236	**190,143**

	As at 31 March 2019	As at 31 March 2018
2.12 : Provisions		
Provision for employee benefits	29,734	38,578
	29,734	**38,578**

Other Liabilities

	As at 31 March 2019	As at 31 March 2018
2.13 : Other Liabilities		
A. Non-current liabilities		
Deferred revenue	2,325,039	2,240,894
	2,325,039	**2,240,894**
B. Current liabilities		
Deferred revenue	52	920
Due to statutory authorities	10,150	7,622
Salary and bonus payable	11,263	16,162
Other Liabilities	2,079	1,111
	23,544	**25,815**

Dr. Reddy's Research and Development B V

Notes to Financial Statements

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

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.14 : Revenue from operations		
Sales	1,780	26,010
License fee and service income from holding company and other group companies	977,755	1,017,858
Other operating income	4,858	38,515
	984,393	**1,082,383**

	For the year 31 March 2019	For the year ended 31 March 2018
2.15 : Other income		
Interest income		
On fixed deposits	-	-
From holding company and other group companies	101,846	-
Foreign exchange gain,net	-	814
	101,846	**814**

	For the year 31 March 2019	For the year ended 31 March 2018
2.16 : Employee benefits expense		
Salaries, wages and bonus	380,819	443,416
Contribution to provident and other funds	24,545	8,055
	405,364	**451,471**

	For the year 31 March 2019	For the year ended 31 March 2018
2.17 : Depreciation and amortisation expense		
Depreciation of tangible assets	201,745	196,171
	201,745	**196,171**

	For the year 31 March 2019	For the year ended 31 March 2018
2.18 : Finance costs		
Interest on long term borrowings to holding company and other group companies	11,468	10,849
	11,468	**10,849**

	For the year 31 March 2019	For the year ended 31 March 2018
2.19 : Other expenses		
Legal and professional	21,481	13,772
Travelling and conveyance	7,720	8,959
Communication	3,049	3,605
Rent	23,118	21,592
Loss on sale of investments	124,470	-
Foreign exchange loss, net	1,452	-
Other general expenses	385,067	470,227
	566,357	**518,155**

	For the year 31 March 2019	For the year ended 31 March 2018
2.20 : Tax expense		
Deferred tax expense	30,772	39,182
	30,772	**39,182**

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 2019, 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 2019;

(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: 15 May 2019

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 2019	As at 31 March 2018
ASSETS			
Non current assets			
Deferred tax assets (net)		-	1,652
Other Financial assets	2.1	-	100
		-	**1,752**
Current assets			
Financial assets			
Trade receivables	2.2	-	34,777
Cash and cash equivalents	2.3	-	4,547
Total current assets		-	**39,324**
Total assets		-	**41,076**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.4	-	24,869
Other equity			
Retained earnings		-	15,655
Total equity		-	**40,524**
Current liabilities			
Financial Liabilities			
Other current financial liabilities	2.5	-	552
Total Liabilities		-	**552**
Total equity and liabilities		-	**41,076**

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: 15 May 2019

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 2019	For the year ended 31 March 2018
Other Income		2,326	546
Total Income		**2,326**	**546**
Expenses			
Other expenses	2.6	383	933
Total expense		**383**	**933**
Profit before tax		**1,943**	**(387)**
Income tax expense/(benefit)	2.7	1,589	(249)
Profit for the year		**354**	**(138)**
Earnings per share:			
Basic earnings per share of SGD 1 each		-	(0.28)
Diluted earnings per share of SGD 1 each		-	(0.28)
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: 15 May 2019

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 2019	For the year ended 31 March 2018
Operating activities		
Profit before taxation	1,943	(387)
Adjustments to reconcile profit before tax to net cash flows:		
Net foreign exchange differences	(2,084)	(2,853)
Operating cash flows before working capital changes	**(141)**	**(3,240)**
Working capital adjustments:		
Other assets & liabilities,net	(4,539)	2,206
	(4,680)	**(1,034)**
Income tax paid	-	(91)
Net cash flows from operating activities	**(4,680)**	**(1,125)**
Net cash flows used in investing activities	**-**	**-**
Net cash flows from/ (used in) financing activities	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	(4,680)	(1,125)
Cash and cash equivalents at the beginning of the year	4,547	5,339
Effect of foreign exchange gain/(loss) on cash and cash equivalents	133	333
Cash and cash equivalents at the end of the year	**-**	**4,547**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	-	4,547
Cash and bank balances at the end of the year	**-**	**4,547**

The accompanying notes are 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: 15 May 2019

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 2017	**500,000**	**24,869**	**15,793**	**40,662**
Profit / (Loss) for the period	-	-	(138)	(138)
Balance as of 31 March 2018	**500,000**	**24,869**	**15,655**	**40,524**
Profit / (Loss) for the period	-	-	354	354
Net assets attributable to equity share holders on dissolution of the entity	(500,000)	(24,869)	(16,009)	(40,878)
Balance as of 31 March 2019	**-**	**-**	**-**	**-**

As per our 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: 15 May 2019

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:

Description of the Company

Dr. Reddy's Singapore PTE. LTD. (" the Company") incorporated in Singapore , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

Basis of preparation of financial statements :

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

The entity has ceased its operations on 30 September 2018 and applied for dissolution with the Accounting and Corporate Regulatory Authority of Singapore.As on the reporting date, the entity is under liquidation process and hence the financial statements have been prepared on realisation basis.

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 from contracts with customers

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes 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

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. 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.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

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 non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

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 assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

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)

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.

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.

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)

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. General and specific 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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 - 30 years
- Ancillary structures	3 - 15 years
Plant and machinery	3 - 15 years
Furniture, fixtures and office equipment	3 - 10 years
Vehicles	4 - 5 years

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

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. 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.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

Provisions, contingent liabilities and contingent assets

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.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Singapore PTE. LTD.

Significant Accounting Policies & Notes to financial statements

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

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.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

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 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.

1.2 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Dr. Reddy's Singapore PTE. LTD.

Notes to Financial Statements

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

Financial Assets

	As at 31 March 2019	As at 31 March 2018
2.1 : Other financial assets		
Security Deposits	-	93
	-	**93**

	As at 31 March 2019	As at 31 March 2018
2.2 : Trade receivables		
Unsecured,considered good		
Receivables from holding company and other group companies	-	34,647
	-	**34,647**

	As at 31 March 2019	As at 31 March 2018
2.3 : Cash and cash equivalents		
Balances with banks:		
- On current accounts	-	5,339
	-	**5,339**

Dr. Reddy's Singapore PTE. LTD.

Notes to the Financial Statements

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

2.4 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
500,000 (previous year : 500,000) equity shares of SGD 1 each	-	24,869
Issued equity capital		
Nil (previous year : 500,000) equity shares of SGD 1 each	-	24,869
Subscribed and fully paid-up		
Nil (previous year : 500,000) equity shares of SGD 1 each	-	24,869
	-	**24,869**

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

Particulars	**As at 31 March 2019**		**As at 31 March 2018**	
	No. of equity shares	**Amount**	**No. of equity shares**	**Amount**
Number of shares outstanding at the beginning of the year	500,000	24,869	500,000	24,869
Add:Shares issued during the year	-	-	-	-
Less: Shares cancelled on dissolution of the entity	(500,000)	(24,869)	-	-
Number of shares outstanding at the end of the year	**-**	**-**	**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 2019**		**As at 31 March 2018**	
	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%

Financial Liabilities

2.5 : Other financial liabilities

	As at 31 March 2019	As at 31 March 2018
Other current financial liabilities		
Accrued expenses	-	638
	-	**638**

2.6 : Other expenses

	For the period ended 1 April 2018 to 30 September 2018	For the year ended 31 March 2018
Foreign exchange loss,net	-	1,751
Legal and professional	378	31,705
Other general expenses	5	53
	383	**33,509**

2.7 : Tax expense

	For the period ended 1 April 2018 to 30 September 2018	For the year ended 31 March 2018
Current tax (gain)/expense	(69)	234
Deferred tax (benefit) / expense	1,658	-
	1,589	**234**

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 2019

STRUCTURE, CONTENT AND DRAFTING PRINCIPLES OF FINANCIAL STATEMENT

The financial statements for the financial year closed on March 31, 2019, 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).

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.

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 criteria for evaluating the individual posts respect the formal and substantive content of the Legislative Decree of 9 April 1991, n. 127 and of the accounting standards approved by the Italian Accounting Authority (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.

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., remembering the assumptions.

It is also noted that the explanatory note is drafted in Euro.

Courtesy translation

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.

Financial fixed assets

Courtesy translation

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.
The method used to determine the cost is that of the specific cost. 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.

Courtesy translation

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.

Courtesy translation

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.

The company, at the 31.03.2019 did not register deferred tax.

Courtesy translation

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 249,676** and show a net decrease compared to the values recorded at March 31, 2018, equal to **Euro 87,085,** due to the new AIC development. The movements in the item are shown in the following table:

Description	Intangible assets
Historical costs	355.128
Depreciation provisions	(192,537)
Net value as of 31.03.2018	162.591
Financial year increases	87.259
Financial year depreciations	(174)
Net value as of 31.03.2019	**249.676**

The financial year movements, broken down by asset category, are shown in the table below:

Category	AIC development	AIC on the market	Software programs	Total
Historical costs	162.098	49,583	14,512	355.128
Depreciation provisions	-	(49,583)	(14.019)	(192.537))
Net value as of 31.03.2018	162,098	-	*493*	*162,591*
Financial year increases	87.259	-	-	87.259
Financial year depreciations	-	-	(174)	(174)
Net value as of 31.03.2019	**249.357**	**-**	**319**	**249.676**

B.II) Tangible fixed assets

Net fixed assets, equal to **Euro 1,461**, has recorded a net decrease compared to the values recorded at March 31, 2018, equal to **Euro 838**. The movements in the item are shown in the following table:

Description	Tangible assets

Courtesy translation

Historical costs	14,031
Depreciation provisions	(11,732)
Net value as of 31.03.2018	*2,299*
Financial year depreciations	(838)
Net value as of 31.03.2019	**1,461**

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	12.121	14.031
Depreciation provisions	(1,910)	(9,822)	(11.732)
Net value as of 31.03.2018	-	*2,299*	*2,299*
Financial year depreciations	-	(838)	(838)
Net value as of 31.03.2019	**-**	**1,461**	**1,461**

B.III) Financial Assets

Financial assets include guaranteed disposals for **Euro 11,724** and Bank guarantees for **Euro 30,084**; these guarantees are among the requirements for participation in tenders for the supply of pharmaceuticals.

C) CURRENT ASSETS

C.I) Inventories

The item detail is the following:

Category	Balance as of 31.03.2018	Increases (Decreases)	Balance as of 31.03.2019
Finished products and goods	2.082.257	696.230	2.778.487
Finished products value adjustments provision	(125.128)	(215.439)	(340.657)
Total Inventories	**1.957.129**	**480.791**	**2.437.830**

C.II) Receivables

The receivables stated in the current assets, compared to March 31, 2018, have recordered an increase equal to **Euro 646,015** and the balance broken down by category, is composed as follows:

Category	Balance as of 31.03.2018	Increases (Decreases)	Balance as of 31.03.2019

Courtesy translation

Customers receivables	1.098.729	276.712	1.375.441
Parent Company Receivables		333.215	333.215
Tax receivables	69,191	36,568	105,759
Others	8.479	(479)	8,000
Total	**1.176.399**	**646.015**	**1.822.414**

C.II.1) Receivables from customers

The composition of this item is shown in the following table:

Category	Balance as of 31.03.2019
Italy customers	1.500.009
UE customers	1,098
Credit notes to be issued	(6,574)
Bad debts provision	(119.092)
Receivables from customers	**1.375.441**

Receivables from customers, falling due within the following financial year, related to receivables arising from ordinary commercial transactions occuring mainly with italian counterparties, and for Euro 1.098, to Greek Company. This item is shown in the financial statement net of the related bad debts provision.

The bad debt provision, equal to Euro **119.092**, has recorded the following movements:

Category	Balance as of 31.03.2018	Accrual	Utilization	Saldo al 31.03.2019
Bad debt provision	82,726	39.770	(3.440)	119.092

C II.4) Receivables from Parent Company

The balance of Euro **333,215** refers to commercial receivables from the Indian headquarter.

C.II.5.bis) Tax receivables

The tax receivables, equal to **Euro 105.579** are mainly attributable to the VAT receivable. The composition of tax credits is as follows:

Category	Balance as of 31.03.2019
IRES receivables	5,381
VAT receivables	100,379
Total tax receivables	**105,579**

Courtesy translation

C.II.5 quater) Other recivables

The item include receivables for employees advances (**Euro 8,000**).

C.IV) Liquid assets

The composition of the item "Liquid assets" is summarized in the table below:

Category	Balance as of 31.03.2019
Bank deposits	634.090
Cash and cash equivalents	8
Liquid assets	**634.098**

D) Accrued income and prepayments

This item, equal to **Euro 4.497**, is mainly composed from assistance costs.

Courtesy translation

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	IV Legal reserve	VII. Capital injections	VIII Profit (Loss) carried forward	IX. Profit/(Loss) of the financial year	Ending balance
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)**
Increases 2017/18		-	1,750,000	-		1,750,000
Utilization 2017/18		-	(619,213)	-	619,213	-
Result of the financial year 2017/18		-	-	-	236,666	236,666
Net equity as of 31.03.2018	**99,000**	**-**	**1.393.228**	**-**	**236,666**	**1.728.894**
Increases 2018/19		11.833	-	224.833	(236,666)	-
Utilization 2018/19		-	-	-		-
Result of the financial year 2018/19		-	-	-	(209.730)	(209.730)
Net equity as of 31.03.2019	**99,000**	**11.833**	**1,393,228**	**224.833**	**(209.730)**	**1.519.164**

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	To other reasons
Share capital	99,000	-	-	-	-
Capital reserve:					
Quotaholder transfers for losses covering	1,393,228	*A,B,C*	-	952.761	-
Profits reserve:					
Legal reserve	11.833	**B**	-	-	-
Profits (losses) carry forward	**224.833**	**A,B,C**			
Part not to be distributed			**-**		
Part that may be distributed			**1.618.061**		
Legend: A for capital increase; B for losses covering; C for quotaholders distributions					

Courtesy translation

B) Provisions for liabilities and charges

This item, which as of March, 31 2019 is equal to **Euro 426.652.** On following there is the movement of the Funds:

Category	Balance as of 31.03.2018	Increases	(Utilization)	Balance as of 31.03.2019
Damage purchasing provision	40,744	95,000	(40.744)	95.000
AIFA pay back provison	53,813	280,890	(3.051)	331.652
Total	**94,557**	**375.890**	**(43.795)**	**426.652**

The Aifa pay back provision is related to the payment due periodically to Agenzia Italiana del farmaco, because of the business in which the company operates .

C) Indemnities for termination of subordinate employment

The indemnities for termination of subordinate employment of **Euro 135,864** shows an increase of **Euro 32,519** compared to March, 31 2018.

Description	Amount
Beginning balance	**103.345**
Part accrued in the financial year	40.892
Other increases	-
Decreases/Adjustments	(8.373)
Balance as of 31.03.2019	**135.864**

The following table shows the financial year data on the composition of the employees:

Category	Average number as of 31.03.2018	Average number as of 31.03.2019
Executives	1	1
Employees	6	6
Workers	-	-
Total	**7**	**7**

D) Payables

As of March, 31 2019 the payables amount to **Euro 3.110.105**. The payables breakdown is the following:

Courtesy translation

Description	Beg. Balance	Increases (Decreases)	Total Payables as of 31.03.2019	UE	Extra-UE
Payables to suppliers	146.376	909.452	1.055.828	1.049.048	6.780
Payables to parent company	61.291	(61.130)	-		-
Paybles to subsidiaries	1.914.507	(54.014)	1.860.493	1.860.492	
Tax payables	29.046	(17.181)	11.865	11.865	
Payables to social security institutions	20.391	1.817	22.208	22.208	
Other payables	294.950	(203.846)	159.712	159.712	
Total	**2.466.561**	**643.544**	**3.110.105**	**3.034.718**	**6.780**

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.7) Payables to suppliers

The balance of this item include payables to Italian suppliers for **Euro 395.263** and payables to European suppliers for **Euro 653.785** and payables to Extra- European suppliers for **Euro 6.780.**

D.11bis) Paybles to subsidiaries

They are payables for goods purchase by the english company of the group, UK Dr. Reddy's Laboratories L.t.d.

D.12) Tax payables

The item includes mainly payables for Irpef witholdings for **Euro 8.363,** additional (regional and municipal) payables for **Euro 1,421** and from Irap debit equal of **Euro 2.080** (displayed net of the advanced payments paid during the financial year).

D.13) Payables to social security institutions

The payables to socialsecurity institutions are mainly constituted from INPS security contributions for **Euro 15.035**.

D.14) Other payables

This item mainly consists of payables to employees for unused holidays for **Euro 58.310** unpaid bonus for **Euro 11.564**.

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.);

Courtesy translation

- 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

The company has in being guarantees obtained in order to participate in the tenders for the supply of pharmaceutical goods supply, for a total amount of **Euro 397,421.**
It should also be noted that the company did not receive grants, contributions, paid assignments and in any case economic benefits referred to in L. 124/2017, art. 1, paragraph 25.

ANALYSIS OF THE MAIN PROFIT AND LOSS ACCOUNT ITEMS

A) VALUE OF PRODUCTION

The value of the production, equal to **Euro 4.775.805**, is composed as follows:

Description	31.03.2019	31.03.2018
Income from sales and performaces	4.044.510	2.772.380
Finished good stock variation	480.701	1.604.734
Other income and earnings	250.594	18.186
Total	**4.775.805**	**4.395.300**

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 a recharge (**Euro 250.000**) to the Indian parent company.

B) COSTS OF PRODUCTION

The datail of this item, equal to **Euro 4.967.525**, is composed as follows:

Description	31.03.2019	31.03.2018
For raw materials, subsidiary materials, consumables	2.478.365	2.612.081
For services	840.672	567.883

Courtesy translation

For rent and leases	43.077	44.320
Personnel costs		
a) wages and salaries	527.271	604.445
b) social security contribution	157.277	182.602
c) indemnity for termination of employment	40.892	41.442
Depreciations and value adjustment		
a) depreciation of intangible assets	174	174
b) depreciation of tangible assets	838	973
c) other value adjustment of intangible assets		
d) Receivables and liquid assets value adjustments stated in the current assets	39.770	
Goods inventories variations		
Accrual for liabilities		
Other accruals	280.890	53.443
Other operating costs	558.299	31.875
Total	**4.967.525**	**4.139.238**

B.6) Raw materials, subsidiary materials, consumables

This item is mainly constituted by purchase costs of marketable drugs (**Euro 2.478.365**).

B.7) Costs for services

This item mainly includes costs related to employee refunds (**Euro 30.951**), costs of Logistics (**Euro 158,548**), costs related to the participation in tenders on drugs (**Euro 46,345**), consultancy costs (**Euro 49,496**), expenses regulatory Consultancy (**Euro 106,496**) and expenses related to AIC obtaining process (**Euro 189,267**).

B.8) Costs for rent and leases

This item includes costs related to commercial rents (**Euro 43.077**).

B.9) Personnel costs

The item detail is shown in the following table:

Description	Balance as of 31.03.2019	Balance as of 31.03.2018
Wages and salaries	527.271	604.445
Social security contributions	157.277	182.602
Indemnity for termination of employment	40.892	41.442
Total	**725.440**	**828.489**

.

B.10) Depreciations and value adjustments

The depreciations of the financial year include software (**Euro 174),** and office machines depreciations (**Euro 838**). The entry also includes the provision to the fund write-down credits for **Euro 39,770**.

Courtesy translation

B.13) Other Accruals
This item includes the accrual to AIFA provision (**Euro 280.890**).

B.14) Operating costs
The operating costs are mainly rapresented by penalties (**Euro 524.096**), membership fees (**Euro 4,000**) and taxes (**Euro 7.452**).

20) INCOME TAX OF THE FINANCIAL YEAR

Current taxes are equal to **Euro 18.010** that include the Irap debit arose during the fiscal year (for Euro 19.743) and Euro 1.733 of extraordinary income related to the taxes of previous financial year.
It is noted that for the financial year closed as of March 31st, 2019 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.

We invite you to approve the financial statement and explanatory note as they have been shown and we invite you to deliberate on the coverage of the loss of exercise equal to **Euro 209,730** using the available profit reserve.

Milan, • 2019

Chairman of Board of Directors

Courtesy translation

Clemens Troches

Courtesy translation

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 2019, 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 2019;

(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: 15 May 2019

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 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property, plant and equipment	2.1	-	-
Tax assets, net	2.2	63	1,030
Total non current assets		**63**	**1,030**
Current assets			
Inventories	2.3	23,468	7,961
Financial assets			
Trade receivables	2.4	56,062	14,233
Cash and cash equivalents	2.5	5,989	51,617
Other current assets	2.6	32	1,706
Total current assets		**85,551**	**75,517**
Total assets		**85,614**	**76,547**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.7	328	328
Other equity			
Retained earnings		(41,089)	(45,184)
Share premium		105,028	105,028
Total equity		**64,267**	**60,172**
Current liabilities			
Financial Liabilities			
Trade payables	2.8	19,287	10,559
Other current financial liabilities	2.9	1,465	4,780
Provisions	2.10	400	252
Other current liabilities	2.11	195	784
Total Liabilities		**21,347**	**16,375**
Total equity and liabilities		**85,614**	**76,547**

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

Venkata Ananth Sarma Goparaju
Director

Satish Reddy
Director

Place: Hyderabad
Date: 15 May 2019

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 2019	For the year ended 31 March 2018
Revenue from operations	2.12	139,292	78,867
Other Income	2.13	240	2,731
Total Income		**139,532**	**81,598**
Expenses			
Cost of raw material and components consumed		112,540	52,825
Employee benefits expense	2.14	5,133	7,236
Depreciation and amortisation expense	2.15	-	53
Other expenses	2.16	17,764	13,608
Total expense		**135,437**	**73,722**
Profit before tax		**4,095**	**7,876**
Income tax expense		-	-
Profit for the year		**4,095**	**7,876**
Earnings per share			
Basic - Par value NZD 1 per share		409.50	787.60
Diluted - Par value NZD 1 per share		409.50	787.60
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

Venkata Ananth Sarma Goparaju
Director

Satish Reddy
Director

Place: Hyderabad
Date: 15 May 2019

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 2019	For the year ended 31 March 2018
Operating activities		
Profit before taxation	4,095	7,876
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	-	53
Interest Income	(240)	(570)
Net foreign exchange differences	283	(2,147)
Operating cash flows before working capital changes	**4,138**	**5,212**
Working capital adjustments:		
Trade and other receivables	(42,597)	(878)
Inventories	(15,506)	7,447
Trade and other payables	9,325	(3,753)
Other assets & liabilities,net	(1,083)	730
	(45,723)	**8,758**
Income tax paid	-	(28)
Net cash flows from operating activities	**(45,723)**	**8,730**
Net cash flows used in investing activities		
Purchase of tangible and intangible assets	-	-
Interest received	240	570
	240	**570**
Net cash flows from/ (used in) financing activities	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	(45,483)	9,300
Cash and cash equivalents at the beginning of the year	51,617	40,372
Effect of foreign exchange loss on cash and cash equivalents	(145)	1,945
Cash and cash equivalents at the end of the year	**5,989**	**51,617**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	5,989	51,617
Cash and bank balances at the end of the year	**5,989**	**51,617**

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

Venkata Ananth Sarma Goparaju
Director

Satish Reddy
Director

Place: Hyderabad
Date: 15 May 2019

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 2017	**10,000**	**328**	**(53,060)**	**105,028**	**52,296**
Profit / (Loss) for the period	-	-	7,876	-	7,876
Balance as of 31 March 2018	**10,000**	**328**	**(45,184)**	**105,028**	**60,172**
Profit / (Loss) for the period	-	-	4,095	-	4,095
Balance as of 31 March 2019	**10,000**	**328**	**(41,089)**	**105,028**	**64,267**

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

Venkata Ananth Sarma Goparaju
Director

Satish Reddy
Director

Place: Hyderabad
Date: 15 May 2019

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:

Description of the Company

Dr. Reddy's New Zealand Limited (" the Company") incorporated in New Zealand , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

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 control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes 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

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. 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.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

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 non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

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 assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

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)

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.

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.

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)

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. General and specific 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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 - 30 years
- Ancillary structures	3 - 15 years
Plant and machinery	3 - 15 years
Furniture, fixtures and office equipment	3 - 10 years
Vehicles	4 - 5 years

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

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.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's New Zealand Limited

Significant Accounting Policies & Notes to financial statements

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

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.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid.

The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period.

They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

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, despite having the accumulated 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 2019	For the year ended 31 March 2018
Purchases and services from holding company or other group companies:		
Dr. Reddy's Laboratories Limited	107,429	29,795
Dr. Reddy's Laboratories (Australia) Pty Limited	4,065	4,571
Sales to holding company or other group companies:		
Dr. Reddy's Laboratories Limited	146	-

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

Particulars	As at 31 March 2019	As at 31 March 2018
Due to holding company and other group companies(included in trade payables):		
Dr. Reddy's Laboratories Limited	12,948	10,559
Dr. Reddy's Laboratories (Australia) Pty Limited	2,641	-

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 Recent accounting pronouncements
Ind AS 116, 'Leases'
On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.
Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.
The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes
On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Dr. Reddy's New Zealand Limited

(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

	Gross Block				Depreciation / Amortization				Net Block	
Description	**As at 01.04.2018**	**Additions**	**Disposals**	**As at 31.03.2019**	**As at 01.04.2018**	**For the year**	**Disposals**	**As at 31.03.2019**	**As at 31.03.2019**	**As at 31.03.2018**
Furniture and fixtures	755	-	-	755	755	-	-	755	-	-
Total tangible assets (A)	**755**	**-**	**-**	**755**	**755**	**-**	**-**	**755**	**-**	**-**
Previous Year	**755**	**-**	**-**	**755**	**702**	**53**	**-**	**755**	**-**	

Dr. Reddy's New Zealand Limited

Notes to the Financial Statements

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

Other Assets

	As at 31 March 2019	As at 31 March 2018
2.2 : Tax assets, net		
Advance income taxes	63	1,030
	63	**1,030**

	As at 31 March 2019	As at 31 March 2018
2.3 : Inventories		
Stock-in-trade (goods acquired for trading)	23,468	7,961
	23,468	**7,961**

Financial Assets

	As at 31 March 2019	As at 31 March 2018
2.4 : Trade receivables		
(Unsecured,considered good)		
Receivable from Others	56,062	14,233
	56,062	**14,233**

	As at 31 March 2019	As at 31 March 2018
2.5 : Cash and cash equivalents		
Balances with banks:		
- On current accounts	5,989	51,597
Cash on hand	-	20
	5,989	**51,617**

	As at 31 March 2019	As at 31 March 2018
Other Assets		
2.6 : Other Assets		
Advances to employees	24	24
Balances with statutory authorities	-	735
Other current assets	8	947
	32	**1,706**

Dr. Reddy's New Zealand Limited

Notes to the Financial Statements

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

2.7 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
10,000 (previous year :10,000) shares of NZD 1 each	328	328
Issued equity capital		
10,000 (previous year :10,000) shares of NZD 1 each	328	328
Subscribed and fully paid-up		
10,000 (previous year :10,000) shares of NZD 1 each	328	328
	328	**328**

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

Particulars	As at 31 March 2019		As at 31 March 2018	
Number of shares outstanding at the beginning of the year	10,000	328	10,000	328
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**10,000**	**328**	**10,000**	**328**

(b) **Terms/rights attached to equity shares**

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

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	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%

Financial Liabilities

	As at 31 March 2019	As at 31 March 2018
2.8 : Trade Payables		
Payables to holding company and other group companies	15,588	10,559
Payables to others	3,699	-
	19,287	**10,559**

	As at 31 March 2019	As at 31 March 2018
2.9 : Other financial liabilities		
Accrued expenses	690	4,025
Other current liabilities	775	755
	1,465	**4,780**

	As at 31 March 2019	As at 31 March 2018
2.10 : Provisions		
Compensated absences	400	252
	400	**252**

Other Liabilities

	As at 31 March 2019	As at 31 March 2018
2.11 : Other Current Liabilities		
Due to statutory authorities	195	784
	195	**784**

Notes to the Financial Statements

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

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.12 : Revenue from operations		
Sales	139,292	78,867
	139,292	**78,867**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.13 : Other income		
Interest income		
On fixed deposits	240	570
Foreign exchange gain, net	-	2,161
	240	**2,731**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.14 : Employee benefits expense		
Salaries, wages and bonus	5,133	7,236
	5,133	**7,236**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.15 : Depreciation and amortisation expense		
Depreciation of property, plant and equipment	-	53
	-	**53**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.16 : Other expenses		
Legal and professional	1,976	2,164
Selling expenses	12,204	9,063
Travelling and conveyance	709	526
Foreign exchange loss, net	268	-
Other general expenses	2,607	1,855
	17,764	**13,608**

Independent Auditors' Report

To the Members of
Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China

We have audited the accompanying financial statements of **Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China,** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, 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 2019;

(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: 15 May 2019

Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property,plant and equipment	2.1	19,302	22,466
Intangible assets	2.2	2,540	-
Financial assets			
Other assets	2.5A	90	90
		21,932	**22,556**
Current assets			
Financial assets			
Trade receivables	2.3	19,437	-
Cash and cash equivalents	2.4	3,146	3,471
Other assets	2.5 B	7,301	7,343
Other current assets	2.6	8,783	9,732
Total current assets		**38,667**	**20,546**
Total assets		**60,599**	**43,102**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.7	64,626	64,626
Other equity			
Retained earnings		(37,243)	(57,904)
Total equity		**27,383**	**6,722**
Non current liabilities			
Other liabilities	2.10 A	11,444	-
		11,444	**-**
Current liabilities			
Financial Liabilities			
Trade payables	2.8	11,098	10,171
Other liabilities	2.9	10,229	8,779
Other current liabilities	2.10 B	445	17,430
Total Liabilities		**21,772**	**36,380**
Total equity and liabilities		**60,599**	**43,102**

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 (WUXI) Pharmaceutical Co. Ltd.**

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

M V Narasimham
Director

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China

Statement of Profit and Loss

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

	Note	For the period ended 31 March 2019	For the period 2 June 2017 to 31 March 2018
Income			
Service income and License fees		102,675	-
Total revenue from operations		**102,675**	**-**
Other income	2.11	15	9
Total Income		**102,690**	**9**
Expenses			
Employee benefit expense	2.12	24,828	11,476
Depreciation and amortisation expense	2.1	2,593	1,482
Selling and other expenses	2.13	54,608	44,955
Total expense		**82,029**	**57,913**
Profit/(Loss) before tax		**20,661**	**(57,904)**
Income tax expense		-	-
Profit/(Loss) for the year		**20,661**	**(57,904)**
Earnings per share:			
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 (WUXI) Pharmaceutical Co. Ltd.**

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

M V Narasimham
Director

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China

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
	Amount	Retained Earnings	
Balance as of 1 April 2018	**64,626**	**(57,904)**	**6,722**
Profit for the period	-	20,661	20,661
Balance as of 31 March 2019	**64,626**	**(37,243)**	**27,383**

Particulars	Share Capital	Reserves and surplus	Total Equity
	Amount	Retained Earnings	
Balance as of 1 April 2017	-	-	-
Shares issued during the year	64,626	-	64,626
Profit for the period	-	(57,904)	(57,904)
Balance as of 31 March 2018	**64,626**	**(57,904)**	**6,722**

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd.**

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

M V Narasimham

Director

PSRVV Surya Rao

Partner

Membership No. 202367

Saumen Chakraborty

Director

Place: Hyderabad

Date: 15 May 2019

Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China

Cash Flow Statement

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

	For the year ended 31 March 2019	For the period 2 June 2017 to 31 March 2018
Operating activities		
Loss before taxation	20,661	(57,904)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	2,593	1,482
Impairment of intangible assets	411	
Finance income	(15)	(9)
Net foreign exchange differences	322	(191)
Operating cash flows before working capital changes	**23,972**	**(56,622)**
Working capital adjustments:		
Trade receivables	(19,708)	
Trade payables	994	9,588
Other assets and liabilities, net	(3,208)	9,003
	2,050	**(38,031)**
Income tax paid	-	-
Net cash flows from operating activities	**2,050**	**(38,031)**
Net cash flows used in investing activities		
Proceeds from sale/(purchase) of property, plant and equipment, net	571	(23,948)
Purchase of intangible assets	(2,999)	-
Proceeds from sale of intangible assets	48	-
Finance income received	15	9
	(2,365)	**(23,939)**
Net cash flows from/ (used in) financing activities		
Proceeds from issuance of share capital	-	64,626
	-	**64,626**
Net increase / (decrease) in cash and cash equivalents	(315)	2,656
Cash and cash equivalents at the beginning of the year	3,471	-
Effect of foreign exchange differences on cash and cash equivalents	(10)	815
Cash and cash equivalents at the end of the year	**3,146**	**3,471**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	3,146	3,471
Cash and bank balances at the end of the year	**3,146**	**3,471**

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 (WUXI) Pharmaceutical Co. Ltd.**

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

M V Narasimham
Director

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd. (" the Company") incorporated in China , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 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.

1.4 Significant accounting policies
Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
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 assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

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. 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.

Revenue from contracts with customers
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes 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
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. 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.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

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.

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. General and specific 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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. Land is not depreciated.

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 and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

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

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. 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.

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 realisable 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 realisable 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.

Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

Employee benefits
Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

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

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 Companny commits to purchase or sell the asset.
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.
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 and derivative financial instruments

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.

Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China

Significant Accounting Policies & Notes to financial statements

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

Note 1 Description of the Company and significant accounting policies(continued)

1.5 Going Concern

The accounts have been prepared on Going Concern basis.

1.6 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2019	For the period 2 June 2017 to 31 March 2018
Purchases and services rendered from holding company or other group companies:		
Dr. Reddy's Laboratories Limited	-	9,714

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

Particulars	As at 31 March 2019	As at 31 March 2018
Due to holding company and other group companies(included in trade payables):		
Dr. Reddy's Laboratories Limited	10,512	9,876

1.7 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses.

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.

1.8 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.

1.9 The company is incorporated on 2 June 2017 under the laws of China , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.10 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China
Notes to Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.1 : Property, plant and equipment

Description	Gross Block				Depreciation				Net Block	
	As at 1 April 2018	Additions	Disposals	As at 31 March 2019	As at 1 April 2018	For the year	Disposals	As at 31 March 2019	As at 31 March 2019	As at 31 March 2018
Buildings										
-Leased	-	680	-	680		84		84	596	-
Plant and machinery	17,693	3,036	4,877	15,852	1,037	1,008	66	1,979	13,873	16,656
Furniture and fixtures	3,022	1,736		4,758	40	985		1,025	3,733	2,982
Vehicles	3,233		1,214	2,019	405	516	2	919	1,100	2,828
Total	**23,948**	**5,452**	**6,091**	**23,309**	**1,482**	**2,593**	**68**	**4,007**	**19,302**	**22,466**
Previous year	**-**	**23,948**	**-**	**23,948**	**-**	**1,482**	**-**	**1,482**	**22,466**	**-**

2.2 : Other intangible assets

Description	Gross Block				Depreciation				Net Block	
	As at 1 April 2018	Additions	Disposals	As at 31 March 2019	As at 1 April 2018	For the year	Impairment	As at 31 March 2019	As at 31 March 2019	As at 31 March 2018
Product related intangibles	-	2,951	-	2,951	-	-	411	411	2,540	-
Total	**-**	**2,951**	**-**	**2,951**	**-**	**-**	**411**	**411**	**2,540**	**-**
Previous year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China
Notes to Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to the financial statements

Financial Assets

2.3 : Trade receivables

	As at 31 March 2019	As at 31 March 2018
Considered good, Unsecured	19,437	-
Trade receivables	**19,437**	**-**

2.4 : Cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018
Balances with banks:		
- On current accounts	3,146	3,471
Cash and cash equivalents	**3,146**	**3,471**

2.5 : Other financial assets

	As at 31 March 2019	As at 31 March 2018
2.5 A Non current assets		
Security deposits	90	90
	90	**90**
2.5 B Current assets		
Claims receivables	7,301	7,343
	7,301	**7,343**

Other Assets

	As at 31 March 2019	As at 31 March 2018
2.6 : Other current assets		
Other current assets	8,783	9,732
	8,783	**9,732**

Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China

Notes to Financial Statements

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

2.7 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
US$ 1,000,000 (31 March 2018: US$ 1,000,000)*	64,626	64,626
Issued equity capital		
US$ 1,000,000 (31 March 2018: US$ 1,000,000)*	64,626	64,626
Subscribed and fully paid-up		
US$ 1,000,000 (31 March 2018: US$ 1,000,000)*	64,626	64,626
	64,626	**64,626**

* 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 2019		As at 31 March 2018	
	Amount in US$ ('000)	% holding in the class	Amount in US$ ('000)	% holding in the class
Dr. Reddy's Laboratories SA	1,000	100%	1,000	100%

Financial Liabilities

	As at 31 March 2019	As at 31 March 2018
2.8 : Trade payables		
Trade payables	586	295
Payables to holding and other group companies	10,512	9,876
	11,098	**10,171**

	As at 31 March 2019	As at 31 March 2018
2.9 : Other financial liabilities		
Accrued expenses	10,165	8,098
Other liabilities	64	681
	10,229	**8,779**

Other liabilities

	As at 31 March 2019	As at 31 March 2018
2.10 : Other current liabilities		
2.10 A Non-current liabilities		
Deferrred revenue	11,444	-
	11,444	**-**
2.10 B Current liabilities		
Advance from customers	211	16,579
Salary and bonus payable	234	851
	445	**17,430**

Note 2: Notes to the financial statements

	For the period 31 March 2019	For the period 2 June 2017 to 31 March 2018
2.11 : Other income		
Interest income	15	9
	15	**9**

	For the period 31 March 2019	For the period 2 June 2017 to 31 March 2018
2.12: Employee benefit expenses		
Salaries,wages and bonus	23,364	10,574
Staff welfare expenses	1,464	902
	24,828	**11,476**

2.13 : Selling and other expenses	For the period 31 March 2019	For the period 2 June 2017 to 31 March 2018
Foreign exchange loss,net	299	695
Legal and professional	3,861	1,879
Travel expenses	2,807	2,025
Rent expense	1,159	847
Other general expenses	46,482	39,509
	54,608	**44,955**

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 2019, 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 2019;

(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: 15 May 2019

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 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property, plant and equipment	2.1	50	54
Tax assets, net		-	-
Total non current assets		**50**	**54**
Current assets			
Financial assets			
Cash and cash equivalents	2.2	11	75
Loans	2.3	1,412	1,297
Other current assets	2.4	27	13
Total current assets		**1,450**	**1,385**
Total assets		**1,500**	**1,439**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.5	583	583
Other equity			
Retained earnings		(44,260)	(41,981)
Total equity		**(43,677)**	**(41,398)**
Non current liabilities			
Financial Liabilities			
Borrowings	2.6	6,722	6,110
Current liabilities			
Financial Liabilities			
Trade payables	2.7	38,436	36,351
Other current financial liabilities	2.8	3	360
Other current liabilities	2.9	15	15
Total Liabilities		**38,454**	**36,726**
Total equity and liabilities		**1,500**	**1,439**

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

Joga Rao KVSNHR
Finance Manager

Place: Hyderabad
Date: 15 May 2019

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 2019	For the year ended 31 March 2018
Continuing operations			
Revenue from operations		-	-
Other Income	2.10	391	23
Total Income		**391**	**23**
Expenses			
Cost of materials consumed		-	1
Employee benefits expense	2.11	186	255
Finance Cost	2.12	222	141
Depreciation and amortisation expense	2.13	4	4
Other expenses	2.14	2,258	731
Total expense		**2,670**	**1,132**
Profit / (Loss) before tax		**(2,279)**	**(1,109)**
Income tax expense		-	-
Profit / (Loss) for the year		**(2,279)**	**(1,109)**
Earnings per share			
Basic - Par value Bs 0.0043 per share		(214.33)	(104.30)
Diluted - Par value Bs 0.0043 per share		(214.33)	(104.30)
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

Joga Rao KVSNHR
Finance Manager

Place: Hyderabad
Date: 15 May 2019

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 2019	For the year ended 31 March 2018
Operating activities		
(Loss) / Profit before taxation	(2,279)	(1,109)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	4	4
Profit on disposal of property, plant and equipment	(69)	(23)
Writeback of liability	(322)	-
Finance costs	222	141
Net foreign exchange differences	2,612	506
Operating cash flows before working capital changes	**168**	**(481)**
Working capital adjustments:		
Trade and other payables	-	390
Other assets & liabilities,net	(78)	(376)
	90	**(467)**
Income tax paid	-	-
Net cash flows from operating activities	**90**	**(467)**
Net cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	69	23
Purchase of property, plant and equipment	-	(55)
	69	**(32)**
Net cash flows from/ (used in) financing activities		
Proceeds from long term borrowings,net	(222)	226
	(222)	**226**
Net increase / (decrease) in cash and cash equivalents	(63)	(273)
Cash and cash equivalents at the beginning of the year	75	568
Effect of foreign exchange loss on cash and cash equivalents	(1)	(220)
Cash and cash equivalents at the end of the year	**11**	**75**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	11	75
Cash and bank balances at the end of the year	**11**	**75**

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

Joga Rao KVSNHR
Finance Manager

Place: Hyderabad
Date: 15 May 2019

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 2017	**10,633**	**583**	**(40,872)**	**(40,289)**
Profit / (Loss) for the period	-	-	(1,109)	(1,109)
Balance as of 31 March 2018	**10,633**	**583**	**(41,981)**	**(41,398)**
Profit / (Loss) for the period	-	-	(2,279)	(2,279)
Balance as of 31 March 2019	**10,633**	**583**	**(44,260)**	**(43,677)**

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

Joga Rao KVSNHR
Finance Manager

Place: Hyderabad
Date: 15 May 2019

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:

Description of the Company

Dr. Reddy's Venezuela, C.A. (" the Company") incorporated in Venezuela , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time. In August 2018, the official currency of Venezuela has been changed to Bolivar Soberano(Bs), which replaces the erstwhile currency (Venezuelan bolivar).

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 control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services

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

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. 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.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

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 non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

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 assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed 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.

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)

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. General and specific 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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 - 30 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	3 - 10 years
Vehicles	4 - 5 years

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

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.

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)

Provisions, contingent liabilities and contingent assets

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.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

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.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

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 having accumulated 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 2019	For the year ended 31 March 2018
Interest paid/payable to holding company/other group companies:		
Dr. Reddy's Laboratories SA	222	141

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

Particulars	As at 31 March 2019	As at 31 March 2018
Due to holding company and other group companies(included in trade payables and borrowings):		
Dr. Reddy's Laboratories Limited	37,079	34,898
Dr. Reddy's Laboratories SA	6,722	6,110

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 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Dr. Reddy's Venezuela, C.A.

(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

	Gross Block				Depreciation / Amortization				Net Block	
Particulars	**As at 01.04.2018**	**Additions**	**Disposals**	**As at 31.03.2019**	**As at 01.04.2018**	**For the year**	**Disposals**	**As at 31.03.2019**	**As at 31.03.2019**	**As at 31.03.2018**
Leasehold improvments	252	-	252	-	252	-	252	-	-	-
Office equipment and Furniture & Fixtures	1,038	-	1,038	-	1,038	-	1,038	-	-	-
Vehicles	58	-	-	58	4	4	-	8	50	54
Total	**1,348**	**-**	**1,290**	**58**	**1,294**	**4**	**1,290**	**8**	**50**	**54**
Previous year	**1,348**	**58**	**12**	**1,348**	**1,302**	**4**	**12**	**1,294**	**54**	

Dr. Reddy's Venezuela, C.A.

Notes to Financial Statements

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

Other Assets

Financial Assets

	As at 31 March 2019	As at 31 March 2018
2.2 : Cash and cash equivalents		
Balances with banks:		
- On current accounts	11	75
	11	**75**

	As at 31 March 2019	As at 31 March 2018
2.3 : Loans and Advances		
Other advances	1,412	1,297
	1,412	**1,297**

Other Assets	As at 31 March 2019	As at 31 March 2018
2.4 : Other current assets		
Prepaid expenses	26	12
Other current assets	1	1
	27	**13**

Dr. Reddy's Venezuela, C.A.

Notes to the Financial Statements

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

2.5 : Share capital

	As at 31 March 2019	As at 31 March 2018
Issued equity capital		
10,633 (previous year : 10,633) shares of Bs 0.0043 each	583	583
Subscribed and fully paid-up		
10,633 (previous year : 10,633) shares of Bs 0.0043 each	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 2019		As at 31 March 2018	
	No. of shares	Amount	No. of shares	Amount
Number of shares outstanding at the beginning of the year	10,633	583	10,633	583
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**10,633**	**583**	**10,633**	**583**

(b) **Terms/rights attached to equity shares**

The company has only one class of equity shares having a par value of Bs 0.0043 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 2019		As at 31 March 2018	
	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%

Financial Liabilities

	As at 31 March 2019	As at 31 March 2018
2.6 : Non-current Borrowings		
From other parties		
Long term borrowings from holding company and other group companies	6,722	6,110
	6,722	**6,110**

	As at 31 March 2019	As at 31 March 2018
2.7 : Trade Payables		
Payables to holding company and other group companies	37,079	34,898
Payables to others	1,357	1,453
	38,436	**36,351**

	As at 31 March 2019	As at 31 March 2018
2.8 : Other current financial liabilities		
Accrued expenses	3	10
Capital Creditors	-	350
	3	**360**

Other Liabilities

2.9 : Other Current Liabilities		
Due to statutory authorities	1	1
Salary & Bonus Payable	3	3
Provision for staff benefit schemes	11	11
	15	**15**

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 2019	For the year ended 31 March 2018
2.10 : Other income		
Miscellaneous income	322	-
Profit on sale of property, plant and equipment	69	23
	391	**23**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.11 : Employee benefits expense		
Salaries, wages and bonus	92	188
Contribution to provident and other funds	94	67
	186	**255**

	For the year 31 March 2019	For the year ended 31 March 2018
2.12 : Finance costs		
Interest on borrowings from holding company and other group companies	222	141
	222	**141**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.13 : Depreciation and amortisation expense		
Depreciation of Property,plant and equipment	4	4
	4	**4**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.14 : Other expenses		
Legal and professional	6	38
Travelling and conveyance	7	14
Rent	13	62
Insurance	-	2
Other general expenses	68	36
Foreign exchange loss, net	2,164	579
	2,258	**731**

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 2019, 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 2019;

(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: 15 May 2019

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 2019	As at 31 March 2018
ASSETS			
Non Current assets			
Other Intangible assets	2.1	2,325,038	2,240,894
Financial assets			
Investments	2.2	-	152,052
		2,325,038	**2,392,946**
Current assets			
Financial assets			
Cash and cash equivalents	2.3	41,614	2,818
Other current assets	2.4	85	-
Total current assets		**41,699**	**2,818**
Total assets		**2,366,737**	**2,395,764**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.5	36,985	36,985
Other equity			
Retained earnings		(234,868)	(21,014)
Other reserves		458,776	474,574
Total equity		**260,893**	**490,545**
Non current liabilities			
Financial Liabilities			
Borrowings	2.6	1,931,560	1,904,760
		1,931,560	**1,904,760**
Current liabilities			
Financial Liabilities			
Trade payables	2.7	14	61
Other current financial liabilities	2.8	174,270	398
Total Liabilities		**174,284**	**459**
Total equity and liabilities		**2,366,737**	**2,395,764**
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

Rudolf Verrijk
Director

Roger Friedrichs
Director

Place: Hyderabad
Date: 15 May 2019

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 2019	For the year ended 31 March 2018
Continuing operations			
Foreign exchange gain,net		-	257
Total Income		**-**	**257**
Expenses			
Employee benefit expenses	2.9	2,843	-
Finance costs	2.10	101,846	-
Selling and other expenses	2.11	109,165	3,356
Total expense		**213,854**	**3,356**
Loss before tax		**(213,854)**	**(3,099)**
Income tax expense		-	-
Loss for the year		**(213,854)**	**(3,099)**
Earnings per share:			
Basic earnings per share of EURO 10 each		(3,805.23)	(55.14)
Diluted earnings per share of EURO 10 each		(3,805.23)	(55.14)
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

Rudolf Verrijk
Director

Roger Friedrichs
Director

Place: Hyderabad
Date: 15 May 2019

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	Foreign currency translation reserve	
Balance as of 1 April 2018	**56,200**	**36,985**	**474,574**	**(21,014)**	**-**	**490,545**
Foreign currency translation adjustments	-	-	-	-	(15,798)	(15,798)
Loss for the period	-	-	-	(213,854)	-	(213,854)
Balance as of 31 March 2019	**56,200**	**36,985**	**474,574**	**(234,868)**	**(15,798)**	**260,893**

Particulars	Share Capital		Reserves and Surplus			Total Equity
	Shares	Amount	Share Premium	Retained Earnings	Foreign currency translation reserve	
Balance as of 1 April 2017	**56,200**	**36,985**	**134,614**	**(17,915)**	**-**	**153,684**
Issue of equity shares	-	-	339,960	-	-	339,960
Loss for the period	-	-	-	(3,099)	-	(3,099)
Balance as of 31 March 2018	**56,200**	**36,985**	**474,574**	**(21,014)**	**-**	**490,545**

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

Rudolf Verrijk
Director

Roger Friedrichs
Director

Place: Hyderabad
Date: 15 May 2019

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 2019	For the year ended 31 March 2018
Operating activities		
Loss before taxation	(213,854)	(3,099)
Adjustments to reconcile profit before tax to net cash flows:		
Net foreign exchange differences	(96,887)	39,861
Finance costs	101,846	-
Loss on sale of investments	104,498	-
Operating cash flows before working capital changes	**(104,397)**	**36,762**
Working capital adjustments:		
Trade payables	(73)	233
Other assets and liabilities, net	179,137	(36,293)
	74,667	**702**
Income tax paid	-	-
Net cash flows from operating activities	**74,667**	**702**
Net cash flows used in investing activities		
Purchase of intangible assets	(84,144)	-
Sale of investments in subsidiaries	47,554	-
Net cash flows used in investing activities	**(36,590)**	**-**
Net cash flows from/ (used in) financing activities		
Proceeds from / (Repayment of) long term borrowings,net	2,006	-
	2,006	**-**
Net increase / (decrease) in cash and cash equivalents	40,083	702
Cash and cash equivalents at the beginning of the year	2,818	1,801
Effect of foreign exchange loss on cash and cash equivalents	(1,287)	315
Cash and cash equivalents at the end of the year	**41,614**	**2,818**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	41,614	2,818
Cash and bank balances at the end of the year	**41,614**	**2,818**

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

Rudolf Verrijk
Director

Roger Friedrichs
Director

Place: Hyderabad
Date: 15 May 2019

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 Description of the Company and significant accounting policies

1.1 Description of the Company

Euro Bridge Consulting B.V. (" the Company") incorporated in Netherlands , is a 100% subsidiary of Reddy Netherlands B.V. with effect from 28 March 2018 *(formerly 100% subsidiary of Dr. Reddy's Research & Development B.V.).*

1.2 Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards (“Ind AS”) notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 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.

1.4 Significant accounting policies

Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

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 assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

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. 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.

Revenue from contracts with customers

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer’s acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes 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

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company’s performance obligations are satisfied. 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.

Dividend income is recognised when the Company’s right to receive the payment is established, which is generally when shareholders approve the dividend.

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 Description of the Company and significant accounting policies

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.

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.

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. General and specific 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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. Land is not depreciated.

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 and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

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

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. 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.

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.

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 Description of the Company and significant accounting policies

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 realisable 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 realisable 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.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

Provisions, contingent liabilities and contingent assets

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 a 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 balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

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 Companny commits to purchase or sell the asset.

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.

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.

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 and derivative financial instruments

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.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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 Description of the Company and significant accounting policies (continued)

1.5 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.

1.6 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest expense to holding and other group companies		
Dr. Reddy's Research & Development B.V.	101,846	-

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

Particulars	As at 31 March 2019	As at 31 March 2018
Due to holding company and other group companies(included in financial liabilities -borrowings and other current liabilities):		
Dr. Reddy's Research & Development B.V.	2,105,454	1,904,760

1.7 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.

1.8 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.

1.9 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Euro Bridge Consulting B.V.
Notes to Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.1 : Other intangible assets

Description	Gross Block				Amortisation				Net Block	
	As at 01.4.2018	Additions	Disposals	As at 31.03.2019	As at 01.4.2018	For the year	Disposals	As at 31.03.2019	As at 31.03.2019	As at 31.03.2018
Product related intangibles	2,240,894	84,144	-	2,325,038	-	-	-	-	2,325,038	-
									-	-
Total intangible assets	**2,240,894**	**84,144**	**-**	**2,325,038**	**-**	**-**	**-**	**-**	**2,325,038**	**-**
Previous Year	-	2,240,894	-	2,240,894	-	-	-	-	2,240,894	-

Euro Bridge Consulting B.V.

(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 2019**	**As at 31 March 2018**
2.2: Investments in subsidiary companies		
OOO DRS LLC	-	152,052
	-	**152,052**

2.3 : Cash and cash equivalents	**As at 31 March 2019**	**As at 31 March 2018**
Balances with banks:		
- On current accounts	41,614	2,818
Cash and cash equivalents	**41,614**	**2,818**

Other non-financial assets

2.4 : Other current assets	**As at 31 March 2019**	**As at 31 March 2018**
Balances with statutory authorities	85	-
Other current assets	**85**	**-**

2.5 : Share capital	**As at 31 March 2019**	**As at 31 March 2018**
Authorised Share Capital		
100,000 (Previous year : 100,000) equity shares of Euro 10 each	55,863	55,863
Issued equity capital		
56,200 (Previous year : 56,200) equity shares of Euro 10 each	36,985	36,985
Subscribed and fully paid-up		
56,200 (Previous year : 56,200) equity shares of Euro 10 each	36,985	36,985
	36,985	**36,985**

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

Particulars	**As at 31 March 2019**		**As at 31 March 2018**	
	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
Add:Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**56,200**	**36,985**	**56,200**	**36,985**

(b) **Terms / rights attached to 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 2019**		**As at 31 March 2018**	
	No. of equity shares held	**% holding in the class**	**No. of equity shares held**	**% holding in the class**
Dr. Reddy's Research & Development B.V.	-	-	56,200	100%
Reddy Netherlands B.V.	56,200	100%	-	-

Financial Liabilities

2.6 : Borrowings	**As at 31 March 2019**	**As at 31 March 2018**
Non-current Borrowings		
From other parties		
Long term borrowings from holding company and other group companies	1,931,560	1,904,760
	1,931,560	**1,904,760**

2.7 : Trade payables	**As at 31 March 2019**	**As at 31 March 2018**
Trade payables	14	61
	14	**61**

2.8 : Other financial liabilities	**As at 31 March 2019**	**As at 31 March 2018**
Other current financial liabilities		
Accrued expenses	376	398
Other liabilities payable to holding and other group companies	173,894	-
	174,270	**398**

2.9 : Employee benefit expenses	**For the year ended As at**	**For the year ended As at**
Salaries, wages and bonus	2,843	-
	2,843	**-**

2.10 : Finance costs	**For the year ended 31 March 2019**	**For the year ended 31 March 2018**
Interest on long term borrowings	101,846	-
	101,846	**-**

2.11 : Selling and other expenses	**For the year ended 31 March 2019**	**For the year ended 31 March 2018**
Legal and professional	4,475	3,213
Loss on sale of investments	104,498	-
Other general expenses	192	143
	109,165	**3,356**

IDEA2ENTERPRISES(INDIA) PRIVATE LIMITED

Regd. Office: 8-2-337, Road No. 3, Banjara Hills, Hyderabad - 500034
CIN. U72200TG2000PTC034473, E-mail : share@drreddys.com

Tel: +91 40 4900 2900 Fax. : +91 40 4900 2999

Board's Report

Dear Members,

Your Directors present the 19th Board's Report of the Company for the year ended 31 March 2019.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2018-19 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2019	31 March 2018
Profit/(Loss) for the period after taxation	20	(10)
Balance brought forward	(14,159)	(14,149)
Balance carried forward to Balance Sheet	(14,139)	(14,159)

State of Company's Affairs

The Company holds land to carry out its activities. However, it did not carry out any operations during the year.

Change in the Nature of Business, if any

During the year, there was no change in the nature of business of the Company.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2019.

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.

Subsidiaries and Associates

The Company is a subsidiary of Dr. Reddy's Laboratories Limited. 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 a company has one or more subsidiaries or associate companies, it shall, in addition to financial statements, prepare a consolidated financial statement of the company and of all the subsidiaries and associate companies in the same form and manner as that of its own and in accordance with applicable accounting standards, which shall also be laid before the annual general meeting of the company along with the laying of its financial statement.

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 written to its members for its intention of not presenting the consolidated financial statements and no objects has been received. Further, the Company's holding company, i.e. Dr. Reddy's Laboratories Limited prepares and files the consolidated financial statements with the Registrar which are in compliance with the applicable accounting standards. Therefore, the relevant provisions regarding consolidation of accounts of its wholly owned subsidiaries 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 four times during the year: 11 May 2018, 24 July 2018, 24 October 2018 and 30 January 2019.

Board of Directors

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. M V Narasimham (DIN: 02677423), retires by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. The Board recommends his re-appointment for approval at the ensuing Annual General Meeting.

Mr. Satish Reddy (DIN: 00129701) resigned as a Director of the Company w.e.f. May 15, 2019. Mr. Sujit Kumar Mahato (DIN: 07599067) was appointed as an Additional Director of the Company with effect from May 15, 2019. The Board recommends appointment of Mr. Sujit

Kumar Mahato as Director liable to retire by rotation, at the forthcoming AGM of the Company.

Brief profiles of Mr. M V Narasimham and Mr. Sujit Kumar Mahato are given in the notice convening 19th Annual General Meeting, for reference of shareholders.

The Company is not required to appoint any key managerial personnel under Section 203(1) of the Companies Act, 2013.

Further, the Company had no independent directors during the year 2018-19. Hence, the declaration by independent directors under section 149(6) is not applicable.

Secretarial Standards

The Directors state that applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meeting of the Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company. The company has also voluntarily adopted the recommendatory Secretarial Standard-4 on 'Report of the Board of Directors' issued by the Institute of Company Secretaries of India.

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 2018-19 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.

Corporate Social Responsibility

Since the Company did not reach the threshold limit of net worth or turnover or net profit, during the immediate preceding financial year as stated in Section 135(1) of the Companies Act, 2013, therefore, the Company was not required to constitute a Corporate Social Responsibility Committee. Hence, provisions with regard to CSR Committee, CSR policy and CSR spent/initiatives were not applicable to the Company during the year.

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.

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 (Firm's Registration No. 002857S), retire at the ensuing 19th Annual General Meeting.

The Board of Directors have proposed the re-appointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants (Firm's Registration No. 002857S) as Statutory Auditors for a period of five years to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the 24th Annual General Meeting.

M/s. Ramachandra Rao & Co., Chartered Accountants, have consented to the said appointment and confirmed that their re-appointment if made, would be within the limits specified under Section 141(3)(g) of the Companies Act 2013 and Companies (Audit and Auditors) Rules, 2014. 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.

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.

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, technology absorption, foreign exchange earnings and outgo are not applicable.

Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Since the Company has no employees during the year, the Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 was not constituted. However, the Company being a wholly-owned subsidiary of Dr. Reddy's Laboratories Limited (DRL), the Internal Complaints Committee of DRL would address any such complaint from time to time.

Maintenance of cost records

Since the Company did not have any operations, it was not required to maintain cost records as required under the provisions of Section 148(1) of the Companies Act, 2013.

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 15, 2019
Place: Hyderabad

K Satish Reddy
Director
DIN: 00129701

M V Narasimham
Director
DIN: 02677423

Annexure-I

Form AOC-I

(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

(Rs. in thousands)

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
6.	Reserves & surplus	Rs. (761,801)
7.	Total assets	Rs. 14,178
8.	Total Liabilities	Rs. 14,178
9.	Investments	-
10.	Turnover	-
11.	Profit before taxation	Rs. 150
12.	Provision for taxation	-
13.	Profit after taxation	Rs. 92
14.	Proposed Dividend	-
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 15, 2019
Place: Hyderabad

K. Satish Reddy
Director
DIN: 00129701

M V Narasimham
Director
DIN: 02677423

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	**None**
(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)	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

Date: May 15, 2019
Place: Hyderabad

K Satish Reddy
Director
DIN: 00129701

M V Narasimham
Director
DIN: 02677423

ANNEXURE - III

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2018
(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	8-2-337, Road no. 3, Banjara Hills, Hyderabad – 500 034
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	8-2-337, Road no. 3, Banjara Hills, Hyderabad-500 034	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	2,499,826	2,499,826	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	2,499,826	2,499,826	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	2,499,826	2,499,826	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	2,499,826	2,499,826 (*)	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 and 100 shares are held by Dr. Reddy's Bio-Sciences Limited (Wholly owned subsidiary of Dr. Reddy's Laboratories Limited)

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	2,499,726	99.996	0	2,499,726	99.996	0	0.00
2	Dr. Reddy's Bio Sciences Limited	100	0.004	0	100	0.004	0	0.00
		2,499,826	100	0	2,499,826	100	0	0

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
At the beginning of the year	2,499,826	100	2,499,826	100
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/sweat equity etc)	No Change			
At the End of the year	2,499,826	100	2,499,826	100

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

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

v) Shareholding of Directors and Key Managerial personnel

Sr. no.	Name	Date	Shareholding at the beginning of the year		Increase / (Decrease) in Shareholding, if any	Reason	Cumulative Shareholding during the year	
			No. of Shares (*)	% of total shares of the company			No. of Shares	% of total shares of the company
A. DIRECTORS								
1	Mr. G V Prasad (Director)	01.04.2018	0	0	0	0	0	0
		31.03.2019	0	0	0	0	0	0
2	Mr. K Satish Reddy * (Director)	01.04.2018	10	0	0	0	10	0
		31.03.2019	10	0	0	0	10	0
3	Mr. M V Narasimham (Director)	01.04.2018	0	0	0	0	0	0
		31.03.2019	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.

V. INDEBTEDNESS

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

(Rs. in thousands)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 2015)				
i) Principal Amount	-	3,600	-	3,600
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	3,600	-	3,600

Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year (March 31, 2019)				
i) Principal Amount	-	3,600	-	3,600
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	**3,600**	-	**3,600**

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 15, 2019
Place: Hyderabad

K Satish Reddy
Director
DIN: 00129701

M V Narasimham
Director
DIN: 02677423

To
Members
Idea2 Enterprises (India) Private Limited

Report on the Standalone Ind AS Financial Statements

Opinion

We have audited the standalone Financial Statements of **Idea2 Enterprises (India) Private Limited("the Company")**, which comprise the Balance sheet as at 31st March 2019, and the Statement of Profit and Loss and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, 2019, and profit/loss and its cash flows for the year ended on that date

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. 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 *Code of Ethics* issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report

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 financial statements that give a true and fair view of the financial position, financial performance, changes in equity 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. 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 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.

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.

The Board of Directors are also 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 Standards of Auditing (SAs) 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 SAs, we exercise professional judgment and maintain professional scepticism 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. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- 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.

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 state of affairs (financial position) of the Company as at 31st March, 2019, and its profit (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 in terms 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 information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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

c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

e) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133of the Act.

e) On the basis of the written representations received from the directors as on 31st March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2019 from being appointed as a director in terms of Section164(2) of the Act.

f) As required under clause (i), a separate report on the internal financial controls is annexed in Annexure-B herewith.

g) With respect to the other matters 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 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund.

Place : Hyderabad
Date: 15-May-2019

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 002857S

P S R V V Surya Rao
Partner
Membership No. 202367

ANEXURE 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 Customs, Duty of Excise, Value added tax and other material statutory dues were in arrears as at 31 March 2019 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

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

(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.

(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 so, clause 3(xv) is not applicable to the Company during the year.

(xvi) Based on explanations offered to us the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and so, clause (xvi) is not applicable to this Company.

Place : Hyderabad
Date: 15-May-2019

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 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 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 Idea2 Enterprises (India) Private Limited, as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

Meaning of Internal Financial Controls over Financial Reporting

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

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
(2)provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of

the Company are being made only in accordance with authorisations of management and directors of the Company; and
(3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, 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: 15-May-2019

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

Particulars	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property, plant and equipment	2.1	14,49,989	14,49,989
Investment in subsidiary	2.2	88,237	88,237
Financial assets			
Other non current assets	2.3 A	964	-
Total non current assets		**15,39,190**	**15,38,226**
Current assets			
Cash and cash equivalents	2.3 B	53	1,049
Other current assets	2.4	40	27
Total current assets		**93**	**1,076**
Total assets		15,39,283	15,39,302
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.5	24,998	24,998
Share premium		87,840	87,840
Retained earnings		14,22,825	14,22,805
Total equity	2.6	**15,35,663**	**15,35,643**
Non current liabilities			
		-	-
Current liabilities			
Financial Liabilities			
Other financial liabilities	2.7	3,615	3,659
Liabilities for current tax (net)		5	-
Total Liabilities		**3,620**	**3,659**
Total equity and liabilities		**15,39,283**	**15,39,302**

Significant accounting policies & Notes to Accounts 1

The accompanying notes are an integral part of the 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: 15-May-2019

for and on behalf of the Board of Directors

K Satish Reddy
Director (DIN:00129701)

Venkatanarsimham Mamam
Director (DIN:02677423)

Idea2 Enterprises (India) Private Limited
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Income			
Other income	2.8	42	-
Total income		42	-
Expenses			
Other expenses	2.9	17	10
Total expense		17	10
Profit / (Loss) before tax		25	(10)
Current tax expense		5	-
Deferred tax benefit		-	-
Income tax expense		5	-
Profit / (Loss) for the year		20	(10)
Earnings per share:			
Basic earnings per share of Rs.10/- each		0.008	(0.004)
Diluted earnings per share of Rs. 10/- each		0.008	(0.004)
Number of shares used in computing earnings per share			
Basic		24,99,826	24,99,826
Diluted		24,99,826	24,99,826

Significant accounting policies & Notes to Accounts 1

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

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

for and on behalf of the Board of Directors

K Satish Reddy
Director (DIN:00129701)

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

Venkatanarsimham Mannam
Director (DIN:02677423)

Place: Hyderabad
Date: 15-May-2019

Idea2 Enterprises (India) Private Limited
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Operating activities		
Profit / (Loss) before tax	25	(10)
Profit / (Loss) before tax	25	(10)
Adjustments to reconcile profit before tax to net cash flows:		
Finance income (including fair value change in financial instruments)	(42)	-
Operating cash flows before working capital changes	(17)	(10)
Working capital adjustments:		
Movements in provisions	-	-
Other receivables and prepayments	(47)	-
Other payables	17	10
Net cash flows from operating activities	(47)	-
Investing activities		
Investment in Fixed deposit	(950)	-
Acquisition of minority interest	-	-
Net cash flows from/(used in) investing activities	(950)	-
Financing activities		
Proceeds from issue of shares	-	-
Net cash flows from/ (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(997)	-
Cash and cash equivalents at the beginning of the year	1,049	1,049
Cash and cash equivalents at the end of the year	53	1,049

The accompanying notes are an integral part of the 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: 15-May-2019

for and on behalf of the Board of Directors

K Satish Reddy
Director (DIN:00129701)

Venkatanarsimham Mannem
Director (DIN:02677423)

Idea2 Enterprises (India) Private Limited

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

Note 1 : Significant Accounting Policies & Notes to Accounts :

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.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized 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 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

Idea2 Enterprises (India) Private Limited

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

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 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 / Other expense" 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.

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. 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 Other expenses.

Idea2 Enterprises (India) Private Limited

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

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

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 Balance Sheet, 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

(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

The company has the following amounts due to related parties:

Name of Party	Nature of relationship	Nature of transaction	Closing Balance as on 31.03.2019	Closing Balance as on 31.03.2018
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 31.03.2019	For the year ended 31.03.2018
DRL Impex Limited	Subsidiary	Investment	Nil	Nil

1.4 Taxation - Ind AS 12

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:

- temporary difference on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit,
- temporary 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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable profits will allow the deferred tax assets to be recovered.

Current and deferred tax is recognised in Statement of Profit and Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1.5 Earnings Per Share

The computation of Earnings Per Share is set out below:

Particulars	For the Year Ended 31 March 2019	For the Year Ended 31 March 2018
Profit / (Loss) for the year	20	(10)
Weighted average number of equity shares		
outstanding during the year - Basic	24,99,826	24,99,826
outstanding during the year - Diluted	24,99,826	24,99,826
Earnings Per Share:		
Basic earnings per share of Rs.10/- each	0.008	(0.004)
Diluted earnings per share of Rs.10/- each	0.008	(0.004)

Idea2 Enterprises (India) Private Limited

(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 2019 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 2019 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 Recent accounting pronouncements

Leases - Ind AS 116

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the cash flow statement as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The Company will adopt the new Standard from 1 April 2019 onwards. The Company, for all the operating leases where it is a lessee, intends to apply this accounting standard retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application. This means, the comparative information is not restated. Instead, the Company recognises the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application (modified retrospective approach).

Results of impact assessment. The Company has not entered into any kind of leasing arrangements in form of either lessee or lesser .Accordingly, the Company believes that the adoption of Ind AS 116 will not have anyimpact on it's financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to IAS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.

Appendix C explains how to recognise 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 Ind AS 12 was silent. Appendix C 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.

The Interpretation is effective for annual reporting periods beginning on or after 1 April 2019. An entity can, on initial application, elect to apply this amendment either:

- retrospectively applying Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors, if possible without the use of hindsight; or
- retrospectively, with the cumulative effect of initially applying the interpretation recognised at the date of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate)

The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Ideal Enterprises (India) Private Limited

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

Note 2: Notes on financial statements

2.1: Fixed Assets

Description	Gross block					Accumulated depreciation / amortisation / impairment				Net block	
	As at 1 April 2018	Additions	Deletions	Effect of changes in foreign exchange rates	As at 31 March 2019	As at 1 April 2018	For the year	Deletions	As at 31 March 2019	As at 31 March 2019	As at 1 April 2018
Land	14,49,589	-	-	-	14,49,589	-	-	-	-	14,49,589	14,49,589
Total tangible assets	14,49,589	-	-	-	14,49,589	-	-	-	-	14,49,589	14,49,589
Previous Year	14,49,589	-	-	-	14,49,589	-	-	-	-	14,49,589	14,49,589

Idea2 Enterprises (India) Private Limited

(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 2019	As at 31 March 2018
Authorised Share Capital		
2,500,000 (previous year : 2,500,000) equity shares of Rs. 10/- each	25,000	25,000
Issued equity capital		
2,499,826 (previous year : 2,499,826) equity shares of Rs. 10/-	24,998	24,998
	-	-
	24,998	24,998
Subscribed and fully paid-up		
2,499,826 (previous year : 2,499,826) equity shares of Rs. 10/-	24,998	24,998
	-	-
	24,998	24,998

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	24,99,826	24,998	24,99,826	24,998
Shares issued during the year	-	-		
Number of shares outstanding at the end of the year	24,99,826	24,998	24,99,826	24,998

(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 2019		As at 31 March 2018	
	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class
	24,99,726	100.00	24,99,726	100.00
Dr. Reddy's Laboratories Limited (including shares held by nominees) *				
Preference Shares	-		-	
	-		-	

* 100 share each INR 10 transferred to Dr.Reedy's Bio-Sciences Limited.

Ideal 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 2019

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 Revaluation reserve	Retained Earnings	Hedge reserve	Fair value reserve	Actuarial gains / losses	Foreign currency translation reserve	
Balance as of 1 April 2017	20,99,026	24,990	17,349	-	-	-	14,36,369	(14,149)	-	-		-	15,35,651
Issue of equity	-	-	-	-	-	-	-		-	-		-	-
Profit for the period								(19)					(19)
Balance as of 31 March 2018	20,99,026	24,990	17,349	-	-	-	14,36,369	(14,168)	-	-	-	-	15,35,651
Issue of equity shares	-	-	-	-	-	-	-		-	-		-	-
Profit for the period								29					29
Balance as of 31 March 2019	20,99,026	24,990	17,349	-	-	-	14,36,369	(14,139)	-	-	-	-	**15,35,680**

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 2019**	**As at 31 March 2018**
Investment in DRL Impex Limited *	88,237	88,237
7,66,00,000 shares each Rs 10 @ Rs.1.16	88,237	88,237

2.3 A : Other non current assets	**As at 31 March 2019**	**As at 31 March 2018**
Deposits with bank	950	-
Interest accured	14	
Other Current financial Assets	964	0

2.3 B : Cash and cash equivalent	**As at 31 March 2019**	**As at 31 March 2018**
Balances with banks:		
- In current accounts	53	1,049
Cash and cash equivalents	53	1,049

2.4 : Other current assets	**As at 31 March 2019**	**As at 31 March 2018**
Current assets		
Advance tax paid	9	
TDS Receivable	31	27
	40	27

2.7 : Other financial liabilities	**As at 31 March 2019**	**As at 31 March 2018**
Accrued expenses	15	59
Due to holding company	3,600	3,600
Contingent Liabilities	-	-
Total other financial liabilities	3,615	3,659

2.8 : Other income	**For the year ended 31 March 2019**	**For the year ended 31 March 2018**
Interest income		
On fixed deposits - Interest accured	14	-
On fixed deposits - Interest received	28	
	42	-

2.9 : Other expenses	**For the year ended 31 March 2019**	**For the year ended 31 March 2018**
Rates and taxes	-	-
Bank Charges	2	-
Audit fees	15	10
	17	10

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: 15-May-2019

for and on behalf of the Board of Directors

K Satish Reddy
Director (DIN:00129701)

Venkatanarsimham Mannam
Director (DIN:02677423)

IMPERIAL CREDIT PRIVATE LIMITED

Regd. Office: 8-2-337, Road No. 3, Banjara Hills, Hyderabad – 500034
CIN: U06319TG1991PTC126383, E-mail : shares@dmreddys.com
Tel: +91 40 4900 2900 Fax: +91 40 4900 2999

Board's Report

Dear Members,

Your Directors are pleased to present the 28th Board's Report of the Company for the year ended 31 March 2019.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2018-19 as compared to previous financial year:

(in Rs.)

Particulars	31 March 2019	31 March 2018
Total Revenue	16,10,994	13,30,845
Profit Before Tax	13,98,656	12,37,159
Profit After Tax	9,84,060	10,71,567

Company's Affairs

The Company's net revenue for the year was Rs. 16.11 Lakhs as against 13.31 Lakhs in the previous year. The profit before tax (PBT) was Rs. 13.99 Lakhs as against Rs. 12.37 Lakhs in the previous year. The profit for the year decreased to Rs. 9.84 Lakhs compared to Rs. 10.72 Lakhs in the previous year.

During the year, the Company shifted its registered office from the state of West Bengal to the state of Telangana for operational and administrative convenience and also for economic efficiency. Consequent to the above, the Company has obtained a new Certificate of Registration as NBFC from the Reserve Bank of India, Hyderabad.

Change in the Nature of Business, if any

During the year, there was no change in the nature of business of the Company.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2019.

Transfer to reserves

The Company has transferred an amount of Rs. 1,96,812/- amounting to twenty per cent of net profit of FY 2018-19 to Reserve Fund pursuant to Section 45-IC of Reserve Bank of India Act, 1934.

Share Capital

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

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013. Hence the relevant disclosure or reporting provisions are not applicable to the Company.

Material Changes and Commitments Affecting the Financial Position of the Company

No material change and commitments affecting the financial position of the Company, has occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report

Particulars of Loans, Guarantees or Investments

The Company has not made any Loans, Guarantees and Investments under section 186 of the Companies Act, 2013 during the year under review.

Subsidiaries and Associates

The Company does not have any Subsidiary, Joint Venture or Associate Company.

Number of Board meetings

The Company's Board met five times during the year: 9 April 2018, 11 May 2018, 24 July 2018, 24 October 2018 and 30 January 2019.

Board of Directors and Key Managerial Personnel

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Kiran Yanamandra (DIN: 07762357), retires by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. The Board recommends his re-appointment for approval at the ensuing Annual General Meeting.

Brief profile of Mr. Kiran Yanamandra is given in the notice convening 28th Annual General Meeting, for reference of shareholders.

The Company is not required to appoint any key managerial personnel under Section 203(1) of the Companies Act, 2013.

Further, the Company had no independent directors during the year 2018-19. Hence, the declaration by independent directors under Section 149(6) is not applicable.

Secretarial Standards

The Directors state that applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meeting of the Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company. The company has also voluntarily adopted the recommendatory Secretarial Standard-4 on 'Report of the Board of Directors' issued by the Institute of Company Secretaries of India.

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 2018-19 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.

Corporate Social Responsibility

Since the Company did not reach the threshold limit of net worth or turnover or net profit, during the immediate preceding financial year as stated in Section 135(1) of the Companies Act, 2013, therefore, the Company was not required to constitute a Corporate Social Responsibility Committee. Hence, provisions with regard to CSR Committee, CSR policy and CSR spent/initiatives were not applicable to the Company during the year.

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.

Statutory Auditors

The Statutory Auditors of the Company, M/s. A. Ramachandra Rao & Co., Chartered Accountants (Firm's Registration No. 002857S), retire at the ensuing 28th Annual General Meeting.

The Board of Directors have proposed the re-appointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants (Firm's Registration No. 002857S) as Statutory Auditors for a period of five years to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the 33rd Annual General Meeting.

M/s. Ramachandra Rao & Co., Chartered Accountants, have consented to the said appointment and confirmed that their re-appointment if made, would be within the limits specified under Section 141(3)(g) of the Companies Act 2013 and Companies (Audit and Auditors) Rules, 2014. 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.

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.

Particulars of Employees

None of the employees of the Company draws 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.

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.

Significant and Material Orders passed by the Court/Regulators

None

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, 2014 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable.

Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Since the Company has no employees during the year, the Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 was not constituted. However, the Company being a wholly-owned subsidiary of Dr. Reddy's Laboratories Limited (DRL), the Internal Complaints Committee of DRL would address any such complaint from time to time.

Maintenance of cost records

Since the Company is not engaged in the production of the goods or providing services, it was not required to maintain cost records as required under the provisions of Section 148(1) of the Companies Act, 2013.

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 15, 2019
Place: Hyderabad

Sujit Kumar Mahato
Director
DIN: 07599067

Kiran Yanamandra
Director
DIN: 07762357

ANNEXURE I

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2019
[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	U06519TG1991PTC126383
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	8-2-337, Road no. 3, Banjara Hills, Hyderabad – 500 034
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	123,000	123,000	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	123,000	123,000	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	123,000	123,000	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	123,000	123,000	100	0	123,000	123,000*	000	-

(*) 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	Dr. Reddy's Laboratories Limited*	123,000	100%	-	123,000	100%	-	Nil

(*) 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

	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	123,000	100%	123,000	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	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	Sujit Kumar	01.04.2018	0	0	0	-	0	0
		31.03.2019	0	0	0	-	0	0
2	Sandeep Poddar	01.04.2018	0	0	0	-	0	0
		31.03.2019	0	0	0	-	0	0
3	Kiran Yanamandra (as nominee of Dr. Reddy's Laboratories Limited)	01.04.2018	0	0	0	-	0	0
		31.03.2019	10	0	0	-	10	0
B. KEY MANAGEMENT PERSONNEL (KMPs) – NI								

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 15, 2019
Place: Hyderabad

Sujit Kumar Mahato
Director
DIN: 07599067

Kiran Yanamandra
Director
DIN: 07762357

To
Members
IMPERIAL CREDIT PRIVATE LIMITED

Report on the Standalone Ind AS Financial Statements

Opinion

We have audited the standalone Financial Statements of IMPERIAL CREDIT PRIVATE LIMITED("the Company)"), which comprise the Balance sheet as at 31st March 2019, and the Statement of Profit and Loss and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, 2019, and profit/lossand its cash flows for the year ended on that date

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. 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 *Code of Ethics* issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report

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 financial statements that give a true and fair view of the financial position, financial performance, changes in equity 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. 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 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.

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.

The Board of Directors are also 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 Standards of Auditing (SAs) 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 SAs, 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. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- 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.

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 state of affairs (financial position) of the Company as at 31st March, 2019, and its profit (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 information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

e) In our opinion, the aforesaid standalone Ind AS financial statemets comply with the Indian Accounting Standards prescribed under section 133of the Act.

e) On the basis of the written representations received from the directors as on 31st March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2019 from being appointed as a director in terms of Section164(2) of the Act.

f) As the Company is exempted from the reporting requirements under Section 143(3)(i) in terms of Notification issued dated 13th June 2017, a separate report on the internal financial controls is not required to be made.

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 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund.

Place : Hyderabad
Date: 15-May-2019

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 002857S

P S R V V Surya Rao
Partner
Membership No. 202367

ANNEXURE TO THE AUDITORS' REPORT
IMPERIAL CREDIT PRIVATE LIMITE
(Of even date referred to in Para 1 of our Report)

(i) Based on the information provided and explanations offered to us, the Company does not have any fixed assets and hence para 3(i) of the Order is not applicable to the Company for the year under report.

(ii) In our opinion, as the company is an investment company, sub-clause (ii) of the order is not applicable to the company.

(iii) Based on the information and explanations provided to us, the company has not granted any loans, whether secured or unsecured, to the companies, firms or other parties covered in the Register maintained u/s Sec. 189 of the Companies Act, 2013 during the year. Hence sub clauses (a), (b) and (c) of clause 3(iii) of the order are not applicable to the company for the year.

(iv) Based on the information provided to us, the Company has not given any loan, guarantee, nor provided any security in connection with a loan and 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) Based on the explanations given to us, the Company is not required to maintain any cost records and accounts as specified by the Central Government under Section 148 of the Companies Act, 2013.

(viii) (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues including employees' state insurance, income-tax, sales-tax, wealth tax, service tax, cess with the appropriate authorities and there are no outstanding statutory dues on the last day of the financial year for a period of more than six months from the date they became payable;

(b) According to the information provided and explanations offered to us, the company does not have any statutory dues which were not disputed on account of any dispute;

(ix) According to the information provided and explanations offered to us, the Company has not taken any loans or borrowings from any financial institution, Bank, Government or dues to debenture holders and hence clause 3(viii) of the Order is not applicable to the Company for the year under report;

(x) According to the information provided and explanations offered to us, the Company has not raised any funds by Initial Public Officer or further public offer and hence clause 3(ix) of the Order is not applicable to the Company for the year under report;

(xi) According to the information provided and explanations offered to us, no fraud by the Company on any fraud on the Company by its officers, employees have been noticed during the year under report;

(xii) According to the information provided and explanations offered to us, the Company has not paid any managerial remuneration during the year under report and hence Clause 3(xi) of the Order is not applicable to the Company for the year under report;

(xiii) According to the information provided and explanations offered to us, the Company is not a Nidhi Company and hence clause 3(xii) of the Order is not applicable to the Company for the year under report;

(xiv) According to the information provided and explanations offered to us, all the transactions with the related parties are in compliance with Section 177 and 180 of the Companies Act, 2013 and such transactions have been adequately disclosed in the Financial Statements as required by the applicable Accounting Standards;

(xv) According to the information provided and explanations offered to us, the Company has not made any preferential allotment or private placement of shares and hence clause 3(xiv) of the Order is not applicable to the Company for the year under report;

(xvi) According to the information provided and explanations offered to us, the Company has not entered into any cash transactions with the Directors or persons connected with them and hence clause 3(xv) of the Order is not applicable to the Company for the year under report;

(xvii) According to the information provided and explanations offered to us , Based on the information provided to us, the Company is a non-banking financial company and had obtained a certificate of registration u/s.45IA from the Reserve bank of India. Further

a. The Board of Directors of the company has passed a resolution for non-acceptance of anypublic deposits;

b. The company has not accepted any deposits from the public during the year; and

c The prudential norms relating to income recognition, accounting standards, asset classification and provision for bad and doubtful debts are not applicable to it as it has not advance any loans.

Place : Hyderabad
Date: 15-May-2019

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 002857S

P S R V V Surya Rao
Partner
Membership No. 202367

IMPERIAL CREDIT PRIVATE LIMITED
8-2-337, Road No-3, Banjara hills, Hyderabad - 500 034
BALANCE SHEET AS AT 31ST MARCH, 2019

Particulars	Note No.	As at 31st March 2019 (Rs.)		As at 31st March 2018 (Rs.)	
EQUITY AND LIABILITIES					
Shareholders' Funds			2,29,74,228		2,19,90,168
(a) Share capital	2.1	1,23,00,000		1,23,00,000	
(b) Reserves and Surplus	2.2	1,06,74,228		96,90,168	
Non-Current Liabilities			75,345		-
Deferred tax liabilities		75,345		-	
Current Liabilities			51,391		60,707
(a) Other current liabilities	2.3	15,000		20,000	
(b) Short term provisions	2.4	36,391		40,707	
(c) Contingent liabilites		-		-	
Total Equity & Liabilities			2,31,00,964		2,20,50,875
ASSETS					
Non-Current Assets			-		70,149
(a) Fixed Assets					
(b) Non- current investment		-		-	
(c) Deferred tax		-		70,149	
Current Assets			2,31,00,964		2,19,80,726
(a) Investment in mutual fund	2.5	2,30,41,573		2,17,30,579	
(b) Cash and cash equivalent	2.6	59,392		2,50,147	
Total Assets			2,31,00,964		2,20,50,875

Significant accounting policies and notes are an integral part of the financial statements as per our report annexed. 1

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: 15 May 2019

for IMPERIAL CREDIT PRIVATE LIMITED

Kiran Yanamandra
Director (DIN:07762357)

Sujit Kumar Mahato
Director (DIN:07599067)

IMPERIAL CREDIT PRIVATE LIMITED
8-2-337, Road No-3, Banjara hills, Hyderabad - 500 034
PROFIT & LOSS A/C FOR THE PERIOD ENDED ON 31ST MARCH, 2019

Particulars	Note No.	For the year ended 31st March 2019(Rs.)	For the year ended 31st March 2018(Rs.)
Revenue from operations	2.7	16,10,994	13,30,845
Total Revenue (I)		16,10,994	13,30,845
Expenses:			
Changes in inventories		-	-
Depreciation		-	-
Other expenses	2.8	2,12,338	93,686
Total Expenses (II)		2,12,338	93,686
Profit before tax (I-II)		13,98,656	12,37,159
Tax expense:			
(1) Income tax		2,69,101	2,35,741
(2) Deferred tax		1,45,494	(70,149)
Profit/(Loss) for the period		9,84,060	10,71,567
Basic earnings per share of Rs.100/- each	2.9	8.00	8.71
Significant accounting policies and notes are an integral part of the financial statements as per our report annexed.			1

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 IMPERIAL CREDIT PRIVATE LIMITED

Place: Hyderabad
Date: 15 May 2019

Kiran Yasamsandra
Director (DIN:07762357)

Sujit Kumar Mahato
Director (DIN:07599067)

IMPERIAL CREDIT PRIVATE LIMITED
8-2-337, Road No-3, Banjara hills, Hyderabad - 500 034
CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2019

Particulars	As at 31st March 2019 (Rs.)	As at 31st March 2018 (Rs.)
Cash flows from operating activities		
Net Profit before taxation	13,98,656	12,37,159
Adjustments		
Depreciation	-	-
Loss on sale of shares	-	-
Loss on sale of property ,plant & equipment	-	-
Provision for tax written back	-	-
Dividend income	-	(266)
Interest on HDFC fixed deposit	-	-
MTM on mutual fund	(15,94,598)	(12,708)
Profit on sale of mutual fund	(16,396)	(13,17,871)
Operating profit before working capital changes	(2,12,338)	(93,686)
Changes in working capital		
Decrease in other current assets	-	-
Decrease in inventories	-	-
Increase in short term loans & advances	-	-
Decrease in other current liabilities	(5,000)	-
NetcCashs flows from operating activities	(2,17,338)	(93,686)
Less . Income tax paid during the year	2,73,417	-
Net Cash flows from operating activities (A)	(4,90,755)	(93,686)
Cash Flows from investing activities		
Dividend income	-	266
Interest on HDFC Fixed deposit	-	-
Sale of Mutual funds	3,00,000	2,20,17,871
Investment in Mutual funds	-	(4,24,17,871)
Sale of shares	-	-
Sale of fixed assets	-	-
Recovery of long term loans and advances	-	-
Net Cash flows from investing activities (B)	3,00,000	(2,03,99,734)
Cash flows from financing activities		
Proceeds from issue of share capital	-	-
Premium on issue of share capital	-	-
Cash flows from financing activities (C)	-	-
Net Increase in cash & cash equivalents (A + B + C)	(1,90,755)	(2,04,93,420)
Cash & Cash Equivalents at the beginig of period	2,50,147	2,09,44,657
Cash & cash equivalents at the end of Period	59,392	4,51,237
Cash & cash equivalents comprises of :		
Cash in hand	-	-
Cash at bank	59,392	2,50,147
	59,392	2,50,147

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

for IMPERIAL CREDIT PRIVATE LIMITED

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

Kiran Yadamandra
Director (DIN:07762357)

Sujit Kumar Mahato
Director (DIN:07599067)

Place: Hyderabad
Date: 15 May 2019

IMPERIAL CREDIT PVT LTD

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

Note 1 : Significant Accounting Policies & Notes to Accounts :

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.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized 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 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.

IMPERIAL CREDIT PVT LTD

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

Note 1 : Significant Accounting Policies & Notes to Accounts (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.

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 / Other expense" 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.

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. 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

IMPERIAL CREDIT PVT LTD

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

Note 1 : Significant Accounting Policies & Notes to Accounts (continued)

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 Other expenses.

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 Balance Sheet, 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.

IMPERIAL CREDIT PRIVATE LIMITED

[illegible]

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2019

2.1 Share Capital

SL No	Particulars	As at 31st March 2019 (Rs.)	As at 31st March 2018 (Rs.)
	AUTHORISED CAPITAL		
1	1,50,000 Equity Shares of Rs. 100/- each	1,50,00,000	1,50,00,000
	Total	1,50,00,000	1,50,00,000
2	ISSUED, SUBSCRIBED & PAID UP CAPITAL		
	1,23,000 Equity Shares of Rs. 100/- each, Fully paid	1,23,00,000	1,23,00,000
	Total	1,23,00,000	1,23,00,000

(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 2019		As at 31st March 2018	
		No of Shares	Amount (Rs.)	No of Shares	Amount (Rs.)
1	Share outstanding in the beginning of the period	1,23,000	1,23,00,000	1,23,000	1,23,00,000
2	Share issued during the period	-	-	-	-
3	Shares bought back during the period	-	-	-	-
4	Share outstanding in the end of the period	1,23,000	1,23,00,000	1,23,000	1,23,00,000

(c) Disclosure of Shareholders holding more than 5 percent shares in the Company:

SL. No.	Name of Shareholders	As at 31st March 2019		As at 31st March 2018	
		No of Shares	Percentage	No of Shares	Percentage
1	Dr. Reddy's Laboratories Limited	1,22,991	99.99%	1,22,990	99.99%
2	V. Kama (Nominee of Dr.Reddy's Laboratories Limited)	09	0.01%	10	0.01%

(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 on 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.

IMPERIAL CREDIT PRIVATE LIMITED
8-2-337, Road No-3, Banjara hills, Hyderabad - 500 034
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2019

2.2 Reserve & Surplus

Sl. No	Particulars	As at 31st March 2019 (Rs.)	As at 31st March 2018 (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.	4,64,651	2,50,338
	Add :- Transferred from surplus in the Statement of Profit and Loss	1,96,812	2,14,313
	Closing Balance (A)	**6,61,463**	**4,64,651**
2	**Surplus**		
	As per last financial statement	23,42,169	12,70,601
	Add: Profit for the year	9,84,060	10,71,567
	Add: Deferred tax liabilities w/off	-	-
	Less :-Transfer to Reserve u/s 45-IC of Reserve Bank of India Act, 1934 from the Net Profit of Earlier Years.	4,64,651	2,50,338
	Less :- Transfer to Reserve u/s 45-IC of Reserve Bank of India Act, 1934.	1,96,812	2,14,313
	Closing Balance (B)	**26,64,765**	**18,77,517**
3	**Share premium**		
	As per last financial statement	73,48,000	73,48,000
	Add :- Addition during the year	-	-
	Less :- Cost incurred for share issue	-	-
	Closing Balance (C)	**73,48,000**	**73,48,000**
	TOTAL (A + B + C)	**1,06,74,228**	**96,90,168**

2.3 Other Current Liabilities

Sl. No	Particulars	As at 31st March 2019 (Rs.)	As at 31st March 2018 (Rs.)
1	Provision for Expenses	15,000	20,000
	Total	15,000	20,000

2.4 Short Term Provisions

Sl. No	Particulars	As at 31st March 2019 (Rs.)	As at 31st March 2018 (Rs.)
	Provision for Tax		
	F.Y. 2017-18	-	40,707
	F.Y. 2018-19	36,391	-
	Total	36,391	40,707

IMPERIAL CREDIT PRIVATE LIMITED

[illegible], Road No-5, Banjara Hills, Hyderabad - 500 034

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2019

2.5 Investments in mutual funds

Sl. No	Particulars	No. of Units as at 31st March 2019	Market Value as at 31st March 2019 (Rs.)	Cost as at 31st March 2019 (Rs.)	No. of Units as at 31st March 2018	Market Value as at 31st March 2018 (Rs.)	Cost as at 31st March 2018 (Rs.)
1	Investment in HDFC Corporate Bond Fund - DP Growth	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2							
4							
5							
	Total (A)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

IMPERIAL CREDIT PRIVATE LIMITED

8-2-337, Road No-3, Banjara hills, Hyderabad - 500 034

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2019

2.6 Cash & Cash Equivalents

Sl. No	Particulars	As at 31st March 2019 (Rs.)	As at 31st March 2018 (Rs.)
	Cash-in-Hand		
1	Cash Balance	-	-
	Sub Total (A)	-	-
2	**Balance with Schedule Bank**		
	In Current Account with HDFC Bank	59,392	2,50,147
	Sub Total (B)	59,392	2,50,147
	Total (A + B)	59,392	2,50,147

IMPERIAL CREDIT PRIVATE LIMITED

8-2-337, Road No-3, Banjara hills, Hyderabad - 500 034

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2019

2.7 Revenue from operations

Sl. No	Particulars	As at 31st March 2019 (Rs.)	As at 31st March 2018 (Rs.)
1	Dividend	-	266
2	Interest on HDFC-Fixed Deposit	-	-
3	Profit on Sale of Mutual Fund(Long Term Capital Ga	-	-
4	Interest on Loan	-	-
5	Share Sales	-	-
6	Provision Written Back	-	-
7	MTM on Mutual Fund	15,94,598	12,708
8	Profit on Sale of Mutual fund	16,396	13,17,871
	Total	**16,10,994**	**13,30,845**

2.8 Other Expenses

Sl. No	Particulars	As at 31st March 2019 (Rs.)	As at 31st March 2018 (Rs.)
1	Rates & Taxes	24,609	-
2	Audit Fees	15,000	20,000
3	General Charges	25,200	22,403
4	Bank Charges	30	233
5	Professional Fee	1,47,500	50,000
6	Printing & Stationary	-	1,050
	Total	**2,12,338**	**93,686**

2.9 Earning per Share

Sl. No	Particulars	As at 31st March 2019 (Rs.)	As at 31st March 2018 (Rs.)
	Basic		
(i)	(i) Number of Equity Shares outstanding for the period (Equity Share of Rs.100 each)	1,23,000	1,23,000
(ii)	(ii) Profit after Tax attributable to Equity Shareholders	9,84,060	10,71,567
(iii	(iii) Basic Earning per share [(II)/ (I)]	8.00	8.71

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: 15 May 2019

for IMPERIAL CREDIT PRIVATE LIMITED

Kiran Yanamandra
Director (DIN:07762357)

Sujit Kumar Mahato
Director (DIN:07599067)

INDUSTRIAS QUÍMICAS FALCON DE MÉXICO, S.A. DE C.V.

Financial Statements

To December 31st 2018 and 2017
with report from the independent auditors

INDUSTRIAS QUÍMICAS FALCON DE MÉXICO S.A. DE C.V.

Financial Statements

To December 31st 2018 and 2017

Content:

Report of independent auditors

Financial Statements:

Statements of financial position
Statements of comprehensive earnings
Statements of changes in the shareholders' equity
Statements of cash flows
Notes to the financial statements

REPORT FROM THE INDEPENDENT AUDITORS

To the shareholders meeting of
Industrias Químicas Falcon de México, S.A. de C.V.

Opinion

we have audited the attached financial statements of Industrias Químicas Falcon de México, S.A. de C.V. (hereinafter "the Company"), which contain the statement of financial position to December 31st 2018, the statements of comprehensive earnings, the statement of changes in the shareholders' equity and the statement of cash flows related to the fiscal year completed on that date, as well as, the explanatory notes of the financial statements including a summary of significant accounting policies.

In our opinion, the attached financial statements reasonably present, in all material aspects, the financial status of Industrias Químicas Falcon de México, S.A. de C.V. to December 31st 2018, as well as, the earnings and its cash flows related to the fiscal year completed on that date, under the Mexican Financial Information Standards.

Opinion Basis

We have executed our audit under the International Auditing Standards (NIA in Spanish). Our responsibilities according to these regulations are further described in the section "Auditors responsibilities in relation to the financial statements audit" of our report. We are independent from Company in compliance with the "Ethics Code for Accounting Professionals of the Accountants International Ethics Standards Council " ("IESBA Ethics Code") together with the ethics requirements applicable to our audit of financial statements in Mexico by the "Professional Ethics Code of the Mexican Institute of Public Accountants" ("IMCP Ethics Code") and we have complied with the other ethics responsibilities in compliance with those requirements and with the IESBA Ethics Code.

We believe that the audit evidence that we have obtained provides a reasonable and adequate basis for our opinion.

Responsibilities of the Administration and the people responsible for the governance of the Company in relation to the financial statements.

The Administration is responsible for the preparation and reasonable presentation of the attached financial statements in compliance with the Mexican Financial Information Standards, and for the internal control that the Administration deems necessary to be able to prepare the financial statements, free from material deviation, due to fraud or mistakes.

In the preparation of the financial statements, the Administration is responsible for the evaluation of the company´s ability to continue as a going concern, reveling, as appropriate, the issues related to the going concern and using the accounting basis of the ongoing concern, except when the Administration has the intention of liquidating the Company or to stop its operations, or when there is no other realistic alternative.

Those responsible for the company's governance are responsible for the supervision of the company's financial information process.

Auditor's responsibilities in relation to the audit of the financial statements

Our objectives are obtaining a reasonable assurance that the financial statements as a whole are free from material deviation, due to fraud or error, and issue an audit report with our opinion. Reasonable assurance is a high degree of assurance, but it does not guarantee that an audit performed in accordance with the NIA always detects a material deviation, if applicable. The deviations might be due to fraud or error and they are considered as material if, individually or in aggregate form, one might reasonably avoid that they influence in the economic decisions that the users take based on the financial statements.

As part of an audit in compliance with the NIA, we apply our professional opinion and have an attitude of professional scepticism throughout the audit. Moreover:

• We identify and evaluate the risks of material deviation in the financial statements, due to fraud or error. We design and apply audit procedures to solve such risks and we obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of no detecting a material deviation due to fraud is higher that in the case of material deviation due to an error, since fraud might cause collusion, counterfeit, deliberate omissions, manifestations intentionally erroneous or the circumvention of the internal control.

• We obtain information of the internal control relevant to the audit in order to design audit procedures that are suitable in function of circumstances and not with the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

- We evaluate what is adequate of the accounting policies applied and the reasonableness of the accounting estimates and the relevant information revealed by the Administration.

- We conclude over what is adequate from the utilization, by the Administration, on the accounting basis of the going concern and, based on the evidence of the audit obtained, we conclude whether there is or not a material uncertainty related to facts or to conditions that could generate significant doubts over the capacity of the Company to continue as a going concern. If we conclude that there is a material uncertainty, it is required that we admonish in our audit report over the relevant information revealed in the financial statements or, if such revelations are not adequate, that we express a modified opinion. Our conclusions are based on the evidence of the audit obtained until the date of our audit report. However, facts or future conditions might be the reason why the Company stops being going concern.

- We evaluate the global presentation, the structure and the content of the financial statements, including the revealed information, and whether the financial statements represent the transactions and underlying facts in a way that they achieve the fair presentation.

We communicate with the responsible people who govern the Company in relation to, among other issues, the scope and the moment when the planned audit was performed and the significant findings from the audit, as well as any significant deficiency of the internal control that we had identified in the course of the audit.

Mancera, S.C
Integrante de
Ernst & Young Global Limited

C.P.C. Yazmin Espinosa Moscosa

Mexico City
March 31st, 2019.

INDUSTRIAS QUIMICAS FALCON DE MEXICO, S.A. DE C.V.

Statements of financial position

(Figures in thousands of Mexican pesos)

	To December 31st	
	2018	2017
Assets:		
Current assets:		
Cash	$ 14,172	$ 11,971
Clients (estimated net for doubtful accounts $0.2 in 2018 and $62 in 2017)	366,098	231,581
Related parties (Note 3)	127,154	90,714
Tax credit (Note 4)	42,787	49,965
Inventory, net (Note 5)	385,889	261,436
Advance payment (Note 6)	12,786	37,585
Other accounts receivable	207	443
Total current assets	748,165	683,995
Non-current assets:		
Properties, plant and equipment, net (Note 7)	428,372	314,713
Taxes on deferred profits (Note 14)	64,293	59,324
Employee's participation in the sharing, deferred (Note 12)	22,880	21,024
Total non-current assets	512,546	395,061
Total assets	$ 1,260,711	$ 1,079,056
Liabilities and stockholders' equity		
Short-term liabilities:		
Suppliers	$ 89,921	$ 64,999
Employee's direct benefits (Note 12)	11,293	10,356
Contributions pending payment	6,128	15,207
Provisions (Note 9)	36,161	24,892
Related parties (Note 3)	319,787	639,989
Short-term loans (Note 8)	490,670	-
Total short-term liabilities	946,360	805,443
Long-term liabilities:		
Net liabilities for defined benefits to employees (Note 11)	52,906	56,761
Total long-term liabilities	52,906	56,761
Total liabilities	999,266	862,204
Stockholders' equity (Note 13):		
Capital stock	150,299	150,299
Retained earnings	102,640	68,600
Other comprehensive earnings	8,506	(2,047)
Total stockholders' equity	261,445	216,852
Total liabilities and stockholders' equity	$ 1,260,711	$ 1,079,056

The attached notes are integral part of the financial statements.

INDUSTRIAS QUIMICAS FALCON DE MEXICO, S.A. DE C.V.

Statements of comprehensive earnings

(Figures in thousands of Mexican pesos)

	For the completed years on December 31st	
	2018	2017
Net sales (Note 15)	$ 1,306,087	$ 1,040,767
Other income (Note 15)	5,677	4,616
Total income	1,311,764	1,045,383
Cost of sales (Note 16)	1,129,200	736,249
Gross profit	182,564	309,134
Operating expenses (Note 16)	74,510	188,954
Operating profit	108,054	120,180
Comprehensive income from financing:		
Interest expenditures	(37,814)	(41,119)
Exchange loss, net	(16,020)	(26,303)
Comprehensive income from financing, net	(53,834)	(67,422)
Profit before taxes on profits	54,220	52,758
Taxes on profit (Note 14)		
Tax base	25,149	25,118
Deferred	(4,969)	(3,730)
Tax on profit	20,180	21,388
Net profit	34,040	31,370
Other comprehensive earnings (Note 13)	10,553	2,160
Comprehensive earnings of fiscal year	$ 44,593	$ 33,530

The attached notes are integral part of the financial statements.

INDUSTRIAS QUIMICAS FALCON DE MEXICO, S.A. DE C.V.

Statements of changes in the stockholders' equity

For the completed years December 31st of 2018 and 2017

(Figures in thousands of Mexican pesos) Note 13

	Stockholders' equity	Retained earnings	Other comprehensive earnings	Total stockholders' equity
Balances to December 31, 2016	$ 150,299	$ 37,230	$ (4,207)	$ 183,322
Comprehensive profit	-	31,370	2,160	33,530
Balances to December 31, 2017	150,299	68,600	(2,047)	216,852
Comprehensive profit	-	34,040	10,553	44,593
Balances to December 31, 2018	$ 150,299	$ 102,640	$ 8,506	$ 261,445

The attached notes are integral part of the financial statements.

INDUSTRIAS QUÍMICAS FALCON DE MÉXICO, S.A. DE C.V.

Cash Flow statement

(Figures in thousands of Mexican pesos)

	For the completed years December 31st 2018	2017
Operating activities		
Profit before taxes to the profit	$ 54,220	$ 52,758
Items or results that did not affected the cash:		
Net cost of the period from employee's benefits (Note 11)	9,168	8,601
Payment of employees benefits (Note 11)	(2,470)	(1,902)
Employees participation in deferred profits (Note 12)	(1,856)	(1,549)
Items related to investment activities:		
Depreciation of property, plant and equipment (Note 7)	25,231	24,983
Interest creditable	(3,423)	(1,006)
Profit by properties, plant and equipment sale	(196)	(239)
Items related to financing activities:		
Interest expense	30,931	47,125
Sum	111,605	123,721
Changes in assets and operating liabilities		
Clients	65,783	(130,471)
Related parties	(409,221)	145,116
Tax credit	7,258	(8,319)
Inventories	(123,651)	36,565
Advance payments	24,849	(12,949)
Other accounts receivable	235	16,557
Supplier, direct benefits to the employees and provisions	34,589	(33,820)
Tax on profit	(25,149)	(25,118)
Contributions payable	(4,112)	(50)
Net cash flows used in operating activities	(429,419)	(12,489)
Investment activities		
Property, plant and equipment acquisitions	(135,890)	(69,507)
Resources coming from the sale of properties, plant and equipment	(411)	673
Debit interest	(3,423)	1,006
Net cash flows used in investment activities	(139,724)	(61,823)
Excess cash (to obtain from) to be applied in financing activities	(457,538)	49,409
Financing activities		
Paid interests	(30,931)	(42,125)
Obtaining of bank loans (Note 8)	490,670	-
Net cash flows obtained from (used in) financing activities	459,739	(42,125)
Increase in cash and cash equivalents	2,201	7,284
Cash and cash equivalents at the beginning of the period	11,971	4,687
Cash and cash equivalents at the end of the period	$ 14,172	$ 11,971

The attached notes are an integral part of these financial statements.

INDUSTRIAS QUÍMICAS FALCON DE MÉXICO, S.A. DE C.V.

Notes to the financial statements

to December 31st 2018 and 2017

(Figures in thousands of Mexican pesos, except when there is another denomination)

1. Operations and summary of the main accounting policies

Industrias Químicas Falcon de México, S.A. de C.V. (hereinafter "the Company") was established under the Mexican laws on July 22nd , 2005 with domicile in Carretera Federal Cuernavaca-Cuautla km. 4.5, Zona Industrial Civac, C.P. 62578, Jiutepec, Mor. México. The company is subsidiary of Dr. Reddy's Laboratories Limited, located in India, with whom it performs some of the operations described in the Note 3.

Its main activity consists on the manufacturing, distribution and merchandising of all kinds of products and articles related to the chemical and pharmaceutical industry.

The length of the entity is 99 years.

The Company's operation period and the fiscal year, is from January 1st to December 31st.

The issue of the financial statements and the corresponding notes were authorized by the Financial Director, Mr. Kumar Govind on March 31st, 2019. These financial statements must be authorized in later date by the Administrative Council, and the Shareholder's Meeting. These entities have the power to modify the financial statements. The subsequent events were considered until this date.

2. Significant applied accounting policies

a) Compliance with Standards of Mexican Financial Information

The financial statements to December 31st, 2018 and 2017, have been prepared in accordance with the Mexican Financial Information Standards (NIF)

b) Preparation basis

The financial statements of December 31st, 2018 and 2017 have been prepared based on the historic cost, except for the non-monetary items acquired before December 31st, 2007. Such non-monetary items incorporate the effects of the inflation since its initial recognition in the financial statements and until December 31st, 2007.

Since January 1st, 2018, the Mexican economy is in a non- inflationary environment, according to the NIF B-10 "Inflation Effects". Therefore, to December 31st, 2018 and 2017, an non-inflationary environment is maintained, since the accumulated inflation of the last three years is under 26% (annual average of 8%).

The inflation of 2018 and 2017, determined through the National Consumer Price Index published by the National Institute of Statistic and Geography (INEGI), as shown below:

	Inflation	
To December 31st	Of the year	Cumulative
2018	4.83%	15.25%
2017	6.77%	12.71%
2016	3.36%	9.87%

According to the Mexican Financial Information Standards, corresponds to a non-inflationary and economic environment that requires continuing with the preparation of the financial statements based on historical cost.

c) Functional and reporting currency

The aforementioned financial statements are presented in reporting currency Mexican pesos that is equal to the recording currency and to its functional currency.

For disclosure purposes in the notes of the financial statements when making reference to pesos or "$", it is about thousands of Mexican pesos, when making reference to thousands of dollars, it is about dollars from the United States of America.

d) Income from contracts with clients

Incomes by good sales; they are recognized when the risks and significant benefits of the property are transferred to the buyer, the recovery of the payment for provision of the service contracted herein is expected, the associated costs and the possible return of the goods can be estimated in a reliable way, there is no a continuous participation of the administration with the goods and the amount of income that can be reliably measured. The income by goods sale includes the special taxes and it is measured with the fair value of the payment for provision of the service contracted herein received or to receive, net of returns , taxes to the sales and applicable commercial discounts , discounts , taxes and amounts received in behalf of third parties . The incomes include the expenses of freight and cartage invoiced by the client.

The export sales revenues and other sales outside Mexico are recognized when the significant risks and benefits of the products property are transferred to the clients, what happens at the time of the delivery of the products to the clients, unless on de contrary the terms of the applicable contract establish specific incomes generating activities that must be completed, where the incomes are recognized once all of those activities are completed.

e) Use of estimates

The preparation of the company's financial statements in accordance with the NIF, requires that the Administration makes accounting judgements, estimates and assumptions that affect the recognized contributions of incomes , expenses, assets and liabilities and the corresponding disclosures, the company based its estimates in the available information when they were formulated. However, under the circumstances and existing hypotheses about the future facts may suffer alterations due to market changes o circumstances that are out of the company's control. Such changes are reflected in the hypothesis when they occur.

The key cases used as of December 31st, 2018 and 2017, in the determination of the estimates that imply uncertainty and that can be a significant risk of causing adjustments to the relative importance about the amount in books of the assets and liabilities during the next exercise, are the following:

Impairment of the non-financial assets value

There is deterioration of the value when the amount in books of the assets or from a cash generating unit exceeds its recoverable amount that is the reasonable value less the costs of the sale or its use value, whichever is bigger. The calculation of fair value less the sale costs is based on available information on similar sale operations, made in conditions between independent parts for similar goods, or in observable market prices, less the incremental costs of disposition of the good. The calculation of the use value is based in the discounted cash flow model. The Cash flow arise from the budget for the next the five years or more considering that the growth rate ratio must not be more than five years and do not include the restructuring activities to which the company has not committed yet, nor significant future investments that will increase the performance of the good or the cash-generating unit that is tested. The recovered amount is very sensible to the discount rate used in the discounted cash flow model, and to the incomes of future funds expected in the growth rate ratio used with extrapolation purposes.

Other disclosures related to the company's non-financial asset impairment are included in the Note 7.

Transactions of payments based on shares

The company measures the cost of the liquid transactions with capital instruments by reference to the reasonable value of the capital instruments to the concession date. The fair value estimate of the transactions of payments based on actions requires determining the most appropriate evaluation valuation model depending on the conditions of the plan. This estimate also requires to determine which the most appropriate assumptions for the valuation model are, including the validity expected for the exercise of the options of the actions, volatility, and dividend yields; and make assumptions about them.

Benefits defined to the employees (post-employment)

The net cost of the defined benefits plans and the current value of corresponding liabilities are determined through actuarial valuations. The actuarial valuations involve several assumptions. These include the discount rate determination, future wage increases, mortality rates, disablement, rotation, among other financial and demographic hypothesis. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit liabilities are very sensitive to the changes in these assumptions. All assumptions are subjected to inspection at each closing date of the reporting period.

To determine the corresponding discount rate, the administration considers the interest rate of negotiable liabilities in the relevant currency, using as reference the market rate of the high quality corporate bonds in absolute terms in a deep market or failing using as reference the government bonds rate. In the case of corporate bonds, the underlying bonds are subject to a quality inspection and those which have an excess credit spread are eliminated from the bonds sample over which the discount rate is based, since they do not represent high quality bonds. To December 31st, 2018 and 2017, the Company consistently used the government bonds rate to deduct the benefits defined to employees long-term, since they are considered as the best option which reflects the present value of its liabilities according to the characteristics of the population and the estimated date for further benefits payment.

The mortality rate is based on the most updated information from the country.

The future wage increases are based on the future inflation expected index in the country considering a growth rate of the expected benefit.

Note 11 shows more details about the utilized assumptions.

f) Cash

The cash is mainly represented by balances in legal and foreign currency in registers and bank deposits. The cash and cash equivalents kept in foreign currency are converted utilizing the exchange rate of the closings date of the financial statements. The effects of these conversions are recognized in the comprehensive result statement as they are accrued.

g) Accounts receivable and other accounts receivable

The accounts receivable represent enforceable rights of the entity when receiving a remuneration in exchange for the satisfaction of a liability to be fulfilled arising from the sale of assets or provision of services.

It is considered that the commercial accounts receivable are considered financial instruments receivable (IFC) as they are based on agreement where the counterparties' obligations are set forth.

The initial recognition of the accounts receivable is performed when the operation that gave them origin is considered as accrued, which happens when, in order to comply with the terms of the contract, the control is transferred over the assets or services agreed with the counterparty. Only are recognized those accounts for charge by which the corresponding income can be recognized of conformity with the NIF D-1 "income from contracts with customers".

The bonus, discounts and refunds affect the amount for charge and are recognized when the right of taking bonus, discount or refund by the client arises.

The accounts receivable are evaluated in its initial recognition at the price of the determined transaction based on the NIF D-1 and in its subsequent recognition, at the price of the pending transaction charge.

The accounts receivable denominated in foreign currency or in some other exchange unit are converted to the functional currency applying the closing exchange rate. The modifications in the amount of the commercial accounts receivable aroused from the variations in the exchange rate are recognized in the Financing comprehensive result.

Considering their recovery term, the accounts receivable are classified in a short and long term. The short term accounts receivable are those which recovery is expected within a period not exceeding one year after the balance date (or to the operating cycle of the entity, in the case this cycle exceed the period), otherwise, they are considered as long term accounts receivable.

Since the initial recognition accounts receivable, the Company recognizes, in case of proceeding, an estimate by concept of credit losses expected from the same, affecting the earnings of the period where the account receivable is recognized. In the subsequent recognition, the required changes in the estimate for expected credit losses arising in each subsequent period are recognized.

The accounts receivable from related parties, that come from the purchase of assets or services are borrowed and disclose separately, since the debtor's nature confers them an especial characteristic as to their enforceability.

The other accounts receivable are recognized initially when they are accrued, they represent amounts aroused by transactions different to those for which the entity was constituted, such as (loans to public servants and employees, recoveries, tax credit, when one have the right over them, as required by law), which is expected to be charged within a period no greater than a year after the balance date (or to the operating cycle of the entity, in the case this cycle exceeds the period), introducing it in the short-term assets.

The other accounts receivable are valued at the amount to which the Company has the right to receive, which is usually a nominal value in its initial recognition and to the pending nominal value, in its subsequent recognition.

h) Estimate for expected credit losses

In order to determine the estimate for expected credit losses, the Company, uses its professional judgment, an evaluation of the expected losses due to the detriment of the accounts receivable, taking into consideration the historic experience of credit losses, the actual conditions and reasonable and sustainable forecasts of the different quantifiable future events that could affect the amount of further cash flows to be recovered from the accounts receivable.

In order to recognize the estimate for expected credit losses from the accounts receivable, the Company follows the provisions of NIF C-16 "Detriment of financial instruments receivable".

i) Inventories

The inventories are valuated to their cost or their net realizable value, the lesser.

The inventories cost consists of all the purchase and production costs incurred in order to give them their location and actual condition, and they are valuated as follows:

- Raw material: to the acquisition cost according to the average cost formula.
- Finished and in process products: to the materials cost, direct labor force, as well as indirect production costs, excluding financial costs.

The net realizable value is the estimated sale price in the regular course of the business less the disposal costs and, if applicable, the estimated costs of completion.

The Company recognizes losses due to detriment in the value of the inventories, when there are losses arising from firm sales commitments with respect to the quantities of inventory kept by the company. When the net realizable value of the inventories is lower than its net value in books, the Company recognizes an impairment loss, which is recorded in the cost of sales of the period when it is submitted.

j) Advance payments

The advance payments mainly include advance payments for the purchase of inventories, maintenance of machinery and software and services received after the date of the statement of financial status and during their regular course of operations, and they are submitted in the short or long term according to the classification of the destination loss.

The advance payments are initially recognized as an asset by the payed amount in the moment when it is done provided it is estimated that the associated economic further benefits flows towards the company.

The amount of the advance payment in foreign currency is recognized considering the exchange rate of the transaction date, without further modifying it due to exchange rate fluctuations in the foreign currency corresponding to the prices of goods and services related with such advance payments.

Once the goods or service is received, the Company recognizes the amount related to the advance payment as an asset, in the category where the acquired asset corresponds, or as an expense in the period, whether there is or not a certainty that the acquired asset generates a further economic benefit.

The Company periodically evaluates the ability of the advance payments to lose their capacity to generate future economic benefits, as well as their recoverability, the amount that is considered non-recoverable is recognized as an impairment loss in the results of the period where this occurs. The impairment loss is reversed when there are new expectations of recovering the advance payment previously affected by an impairment loss; provided that these expectations are permanent or definitive, reversing the impairment recognized in previous periods, affecting the statement of comprehensive earning of the current period.

k) Properties, plant and equipment

The properties, plant and equipment are recognized first register their acquisition value.

In the cases of assets that require considerable period to be in conditions of use, the acquisition cost (construction) includes: the acquisition cost and the capitalization of comprehensive income financing incurred during the acquisition period (construction and installation) therein.

The acquisition value of the properties, plants and equipment includes the costs incurred initially in order to acquire or build them, as well as those subsequence incurred to replace them or increase their potential service. If a machinery and equipment shipment consists of several components with different estimated lifetimes, the individual important components are depreciated during their useful individual lifetime. Repair and maintenance costs are recognized in the income statement as they are executed.

The depreciation of the property, plant and equipment is determined over the value resulting from the acquisition cost minus the residual value of the same properties, plant and equipment using the method of straight line, (when considered by the administration of the Company of such method is the one that best reflected the use of such assets) and based on its estimated useful life as follows:

	Rates
Buildings	2.50% to 10.00%
Machinery and laboratory equipment	6.67% to 20.00%
Furniture and office equipment	10.00% to 25.00%
Transport equipment	12.50% to 25.00%
Computer equipment	16.67% to 33.33%

The properties, plant and equipment are removed when sold or when there is not expectation of obtaining further economic benefits for its use and sale. Any gain or loss at the moment of remove the asset (calculated as the difference between net income arising from the asset sale and its amount in books), it is included in the comprehensive income statement when the asset is removed.

The Company evaluates the net value in books of the properties, plant and equipment, to determine that such value exceeds the recovery value. The recovery value represents the amount of the potential net income reasonably expected to obtain as a consequence of the use or realization of such assets. If it is determined that the net value of the books exceeds the recovery value, the Company register the necessary estimates, recognizing the effect in the earnings of the period. The impairment loss is reverted when the circumstances cease to exist on the net value in books of the properties, plant and equipment. The amount of the impairment loss is reversed reducing the depreciation of the period when reversion occurs.

To December 31st, 2018 and 2017, there are no signs of impairment.

l) Contingent liabilities and commitments

The provisions are acknowledged when (i) there is an obligation (legal or assumed) as a result of a past event, (ii) it is possible (there is more possibility that it happens than that it does not happen) that one might need the use of economic resources as a mean to liquidate said obligation, and (iii) the obligation might be reasonably estimated.

When the effect of value of the money through the time is meaningful, the amount of the provision is the value present in the disbursements that are expected to be necessary to liquidate the obligation. The discount rate applied in these cases is before taxes, and reflects the conditions of market to the date of general balance and, in this case, the specific risk of the corresponding liability. In these circumstances, the increase in the provision is recognized as interest expense.

These provisions have been registered under the best estimate performed by the Administration. See Note 9.

The provisions by contingent liabilities are recognized only when it is possible the use of resources for its extinction. Furthermore, the commitments are only recognized when they generate a loss.

The Company recognizes a contingent asset when the profit is performed.

The advance payments received from clients in foreign currency are recognized to the exchange rate of the transaction date, without previous modification by exchange fluctuation. The advance payments from clients are classified as short-term liabilities and are applied as the products are sold or the provision of services are covered with them.

m) Net liability by defined benefits to the employees

We have the policy of grant retirement pension through defined pension plans that cover all the employees. The pensions are determined based on the compensations of the employees in their last year of work, the years of antiquity in the Company and their age at the moment of retirement.

The seniority premiums are covered to the personnel are determined based on the provisions of the Mexican Federal Labor (LFT). Additionally, the LFT establishes the obligation to make some payments to the personnel that stop providing services in certain circumstances.

The pension costs, seniority premiums and termination benefits with pre-existing conditions, are annually recognized based on the calculations effected by independent actuaries, through the method of projected unitary credit using financial hypothesis in nominal terms.

The re-measurement of the net liabilities by defined benefits, that include actuarial profit and losses on obligations and the profits and losses in the return of the plan assets, are recognized immediately in the status of financial position with its corresponding effect in the other comprehensive earnings in the accounting capital in the period that it occurs and is recycled previous to the earnings of the period, taking as basis the average labor life remaining to the employees when it is expected that they receive the benefits of the current plan.

The costs for past services are registered when one of the following events happens.

- When there is a modification to the plan or personnel reduction
- The date when the restructure costs are recognized

The costs arising from compensated absences, such as holidays; they must be recognized on a cumulative way creating the relevent provision. To December 31st 2018 and 2017 the Company recognizes the cost of compensated absences until the moment it was caused. Nevertheless, the previous, this impairment is not considered as relevant for the financial statements.

n) Employees participation in the profit (PTU)

The expenses by PTU, weather caused as deferred, are presented within costs or expenses in the comprehensive income statement.

The deferred PTU is recognized under the method of assets and liabilities. According to this method, they must determine all the differences between accounting and tax values of the assets and liabilities, to which the 10% are is applied. The assets by deferred PTU are periodically evaluated creating, in this case, an estimate over the amounts for which there is not a high probability of recovery.

The deferred PTU identified with other comprehensive entries that have don't been identified as performed, are presented in accounting capital and they will be reclassified to the earnings of the year as they are performed. See Note 12.

o) Exchange rate fluctuations

The transactions in foreign currency are initially registered to the exchange rate to the date of celebration. The assets and liabilities in foreign currency are valuated at the exchange rate to the date of the statements of financial status. The exchange rate differences between the dates of celebration and collections or payment, as well as the ones arising from the conversion of the denominated balance in foreign currency to the date in the financial statements, are applied to the earnings, except for those fluctuations generated by financing in foreign currency that were aimed for the construction of fixed assets and where the comprehensive income financing (RIF) are capitalized during the construction of the same.

It is shown in the Note 10 the position in foreign currency at the end of each exercise and the types of exchange used in the conversion of the balances.

p) Payments based on assets

The payments based on assets to the personnel are recognized to the fair value of the granted options. We have the policy to assign them to executive personnel with a seniority of at least 1 year.

In case that the agreement were in cash, the amount would be paid in the period of four years equal to 25% per year

q) Comprehensive Result

The Comprehensive result is the sum of the net profit or loss, the other Comprehensive earnings (ORI) and the participation in the ORI of the other entities. The other comprehensive earnings represent incomes, costs and accrued expenses, and which are pending to be paid, which is foreseen in the medium (long) term, and its value may vary due to changes in the fair value of the assets or liabilities that are gave them origin, reason why it is not possible that they come to be realized in a part or in its totality; they are composed among others by profits and losses for hedging derivative instruments, net losses for assets available for sale and re measurements of the net liability (asset) for defined benefits

r) Taxes on profit

Incurred tax

The income tax caused in the year is presented as short-term liability net of the advance payment done during the same. The caused tax is recognized as an expense in the earnings of the period, except when it aroused from a transaction or event that is recognized outside of the earnings of the period, either in other comprehensive income or directly in a rubric of total equity.

Deferred tax

The Company determines the deferred income taxes based on the asset and liability method. Under this method, all the differences between taxable and fiscal values are determined, which the income tax rate is applied (ISR), current to the date of the general balance, or, that promulgate rate and established in the tax provisions as of that date and that will be valid at the time when the assets and liabilities for deferred taxes will be recovered or liquidated, respectively.

The assets by differed profit taxes are evaluated periodically creating, in this case, and estimate over the amounts for which there is no high probability of recovery.

5) Presentation of the statement of comprehensive earnings

The company decided to present the comprehensive earnings in a statement that shows in one document all of its rubrics which conform the profit and net loss, just like Other Integral Earnings (ORI) is denominated "Statement of Comprehensive earnings".

Because the Company is an industrial company, the costs and expenses shown in the statements of comprehensive earnings are presented in accordance to its function, which has as fundamental characteristic separating the sale costs from the other costs and expenses since this classification allows to adequately evaluate the margins of gross and operating profit.

12.

The presentation of operating profit is not required, however this is presented as it is an important indicator in the evaluation of the Company's performance, since such information is a common practice in the sector to which the Company belongs.

t) Stockholders equity

The movements in the share capital, statutory reserve, the accumulated profits (losses) are recognized since January 1st, 2008, at their historical cost; the movements made prior to January 1st, 2008 considering their values updated by the respective inflation

Contributions for future capital increases of the Company that fulfills with the requirements of NIF C-11 "Stockholders equity" (that have a formal commitment from the shareholders' meeting, a fixed number of shares for the exchange in an amount fixed contribution, among others). Contributions for future capital increases that do not meet these requirements are recognized as liabilities in the statement of financial position.

u) Financial risk management objectives and policies

Sales made to related parties represent 44% and 35% in 2018 and 2017, respectively, of the Company's net sales.

The Company's main financial liabilities include loans, accounts payable to suppliers and other accounts payable. The main objective of these financial liabilities is to finance the operations of the Company and provide guarantees to support its operations. The Company's main financial assets include accounts receivable from customers and other accounts receivable, as well as cash and short-term deposits derived directly from its operations.

The Company is exposed to (i) market risk (which includes risks of interest rates and risk of fluctuation in foreign currency exchange rates), (ii) credit risk and (iii) liquidity risk

(i) Market risks

• Interest rate risk, due to variations in the market interest rate that affect the value of the debt contracted.

• Exchange rate risk, due to variations in the currency market that affect the value, they are denominated in cash, accounts receivable, related parties, suppliers and other accounts payable.

• Risk of price for general goods (commodities) such as energy, because some fuels (such as gas, electricity) used by the company represent an important input to carry out its operation.

The Company is exposed to market risks coming from changes in exchange rate fluctuations due to changes in the currency market that affect the value of cash, accounts receivable, related parties, and suppliers. From December 31st, 2018 and 2017, the Company does not have hedging instruments contracted against foreign exchange risks.

Until December 31st, 2018 and 2017, the Company had currency assets and liabilities denominated in U.S. dollars updated at the interbank exchange rate, they are included in Note 10.

(ii) Credit risk

Credit risk, due to the failure of a counterparty to comply (client, supplier, related party or financial entity). The Company is exposed to the credit risk of its operating activities (mainly commercial accounts receivable) and of its financing activities, including deposits in banks, financial institutions and currency transactions.

The financial instruments that could potentially cause concentrations of credit risk are cash and cash equivalents and accounts receivable from customers.

The Company's policy is designed not to limit its exposure to a single financial institution, so its cash is kept with different financial institutions.

The Company periodically evaluates the financial conditions of its clients and does not consider that there is a significant risk of loss. It is considered that the provision of doubtful accounts adequately covers its possible credit risk, which represents a calculation of the losses incurred due to the impairment of its accounts receivable.

(iii) Liquidity risk

Liquidity risk, due to adverse situations in the debt or capital markets that make it difficult or impossible to cover the financial needs necessary to adequately execute its operation.

Concentration of risk

Concentrations arise when many counterparts engage in similar commercial activities, or activities in the same geographical region, or have economic characteristics that would cause their ability to comply with contractual obligations to be similarly affected due to changes in economic, political or other matters. The concentrations show the relative sensitivity of the Company's performance to the changes that affect a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines focused on maintaining a diversified portfolio.

14.

The identified credit risk concentrations are controlled and managed as appropriate. The Company carries out hedging activities in a selective manner to manage risk concentrations both at the industry level and at the level of its relationships.

The credit risk in accounts receivable is diversified, due to the customer base and its geographical dispersion. Continuous evaluations of clients' credit conditions are carried out and no collateral is required to guarantee their recovery. In the case that collection cycles deteriorate significantly, the results could be adversely affected.

v) Capital management

For the purposes of managing the capital of the Company, the capital includes the issued capital. The main goal of the Company's capital management is to maximize shareholder value and to guarantee the Company's capacity as a running business.

The company's capital management activities, among other purposes, seek to ensure that the Company complies with the financial agreements related to its loans and credits subject to the payment of interest, which include requirements with respect to the capital structure of the Company. In the current period, the Company has not breached the financial agreements of any of its loans and credits subject to the payment of interest.

w) New accounting pronouncements

1) Standards and improvements to the issued NIF which are not yet effective

The standards issued, but not yet effective, until the date of issuance of the Company's financial statements are detailed below.

The Company intends to adopt them, if applicable, as soon as they become effective.

Financial Information Standard (NIF) D-5, Leases (in force for annual periods beginning on or after January 1st, 2019)

In December 2017, the CINIF issued the new NIF D-5 "Leases" where the basic principle consists of the following two aspects:

a) The lessee must recognize an asset for the right to use an underlying asset and a lease liability for its obligation to make the payments corresponding to the lease, unless the lease is short term or the underlying asset is of low value.

b) The lessor must classify its lease agreements into operating or financial contracts, depending on the substantial transfer of the risks and benefits inherent in the ownership of an underlying asset. In financial leases, the lessor retire the underlying asset and recognizes an account receivable. In operating leases, the lessor does not recognize a drop in the underlying asset and recognizes lease payments from leases as income, upon accrual.

NIF D-5 introduces a single model for the recognition of leases by the lessee and requires the lessee to recognize the assets and liabilities of all leases with a duration greater than twelve months, unless the underlying asset is of low value. It is required to recognize an asset for the right to use the leased underlying asset and a lease liability that represents its obligation to make the corresponding lease payments.

For lessees, they will have the following most significant changes:

- The lessee must evaluate at the beginning of a contract, if it obtains the right to control the use of an identified asset for a specific period
- The classification of leases as operative or financial (capitalized) for a lessee is eliminated, and this one recognizes a liability per lease considering the present value of the lease payments and an asset for the right of use by that same amount.
- For the lessee, the nature of expenses regarding operating leases calculated in a straight line manner is replaced with an expense for depreciation or amortization of the assets for right of use and an interest expense on the lease liabilities in this way the treatment of the expense is homologated by lease of all leases.
- The presentation of the cash flows related to the previous operating leases is modified, reducing the cash flow exits from operating activities and increasing the output of cash flows from financing activities.
- The recognition of gain or loss is modified when a seller-lessee transfers an asset to another entity or leases that asset back. Instead of recognizing the gain or loss depending on the classification of the lease back, now the seller-lessee should only recognize as a sale the rights transferred to the buyer-lessor that do not return (unguaranteed residual value of the lease) .

The recognition of the leases for the lessee changes significantly, however for the lessor there are no significant changes in relation to the previous Bulletin D-5 "Leases", except for the requirement of additional disclosures.

16.

NIF D-5 replaces Bulletin D-5 "Leases" ("Bulletin D-5"), and supplementary provisions of IFRIC 4 "Determination of whether an agreement contains a lease" ("IFRIC 4"). NIF D-5 establishes the principles for the recognition, valuation, presentation and disclosure of leases and requires lessees to account for all leases under a single balance sheet model similar to the current accounting for finance leases in accordance with Bulletin D-5. The standard includes two exemptions to the recognition of leases by lessees, leases of low-value assets (for example, personal computers) and short-term leases (that is, leases with a term of lease of 12 months or less.) On the start date of a lease, the lessee will recognize a liability for the payments to be made for the lease (it is the liability for the lease) and an asset that represents the right to use the underlying asset during the term of the lease (that is, the asset for the right of use).

The lessees must separately recognize the interest expense corresponding to the liability for the lease and the expense for the amortization of the right of use.

The lessees will also be required to re-assess the lease liability when certain events occur (for example, a change in lease term, a change in future lease payments resulting from a change in an index or rate used to determine those Payments). The lessee will generally recognize the amount of the reassessment of the liability for the lease as an adjustment to the asset for the right of use.

The accounting of the lessor according to NIF D-5 is not substantially modified with respect to the current accounting of Bulletin D-5. Lessees will continue to classify leases with the same classification principles as in Bulletin D-5 and will record two types of leases: operating and financial leases.

NIF D-5 also requires Lessees and lessors to include more extensive disclosures than those stipulated in Bulletin D-5.

NIF D-5 enters into force for fiscal years beginning on or after January 1st, 2019 or later, allowing early application, but not before an entity applies NIF D-1. A lessee may choose to apply the standard with the full retrospective approach or through a modified retrospective transition. The transitory provisions of the standard allow certain exemptions.

Transition to NIF D-5, Leases

The Company will adopt NIF D-5 retrospectively. The Company will choose to apply the standard to the contracts that were previously identified as leases applying Bulletin D-5 and IFRIC 4. Therefore, the Company will not apply the standard to contracts that were not previously identified as leases applying the Bulletin, D-5 and the IFRIC

The Company will choose to apply the exemptions proposed by the standard with respect to lease agreements in which the term of the lease ends within a period of 12 months from the date of initial application, and lease agreements in which the underlying asset it is of low value. The Company has leases of certain office equipment (personal computers, printers and photocopiers) that are considered low value.

During 2018, the Company conducted a detailed evaluation of the impact of NIF D-5. In summary, the company only has a contract with a third party for the printing and photocopying service, which annual value is approximately $25, which is valid for one year. Therefore, the adoption of this new standard did not have material effects.

Improvements to NIF 2019

The Company adopted the new revenue standards (NIF D-1 "Revenue from contracts with customers" and NIF D-2 "Costs from contracts with customers") and financial instruments (NIF C-3 "Accounts receivable", NIF C- 9 "Provisions, contingencies and commitments" and NIF C-16 "Impairment of financial instruments receivable") for the first time. The nature and effect of the changes resulting from the adoption of these new accounting standards are described below.

There is a description below of the most relevant aspects of the pronouncements that entered into force as of January 1st, 2018:

Income and costs for contracts with clients

NIF D-1 "Revenue from contracts with clients" ("NIF D-1") and NIF D-2 "Costs from contracts with customers" ("NIF D-2"), eliminate the supplementary application of IAS 18 , Revenue from Ordinary Activities, and their related interpretations and applies, with limited exceptions to all income from contracts with clients.

NIF D-1 establishes a five-step model for the recognition of income from contracts with clients and requires that they be recognized for an amount that reflects the consideration that the entity expects to be entitled to receive in exchange for transferring goods or services to its customers.

NIF D-1 requires entities to apply a criteria, taking into account all relevant facts and circumstances when applying each step of the model to their contracts with clients. NIF D-2 "Costs for contracts with customers" ("NIF D-2" ") establishes the accounting of the incremental costs of obtaining a contract and the costs directly related to the fulfillment of a contract. In Addition the standard requires several revelations to be applied.

The adoption of this Improvement had no effect on the Company's financial statements.

18.

Financial instruments

NIF C-3 "Accounts receivable", NIF C-9 "Provisions, contingencies and commitments" and NIF C-16 "Impairment of financial instruments receivable", replace the old pronouncements on financial instruments, for the annual periods beginning on January 1st, 2018, gathering in these standards, the main accounting aspects of financial instruments: classification and valuation, and impairment.

The adoption of this improvement had no effect on the Company's financial statements.

Improvements to NIF 2018

The modifications that generate accounting changes in valuation, presentation or disclosure in the financial statements are the following:

(i) NIF B-2, Statement of Cash Flows

The requirement was included for entities to provide disclosures in the notes to the financial statements about the relevant changes in the liabilities considered as part of the financing activities, which have required or not, the use of cash or cash equivalents. It is indicated, preferably, the requirement to include a reconciliation of the initial and final balances of said items, in addition to the required disclosures.

The provisions of this improvement became effective until January 1st, 2018, allowing its early application for the year 2017.

The adoption of this improvement had no effect on the Company's financial statements.

(ii) NIF B-10, Effects of inflation

It was included in the requirement the notes of the financial statements (whether restated or not), in addition to the percentage of accumulated inflation for the three previous fiscal years and the percentage of inflation that served as a basis for rating the economic environment in which the entity operated in the current year, as inflationary or non-inflationary, as appropriate; The following percentages:

- Cumulative percentage of three years that includes the two previous years and that one of the period to which the financial statements refer, which will serve as a basis to qualify the economic environment in which the entity will operate in the following year.
- Percentage to which the financial statements refer.

The provisions of this improvement became effective until January 1st, 2018, allowing its early application for 2017.

The adoption of this improvement had no effect on the Company's financial statements and the required disclosures are shown in Note 2b.

(iii) NIF C-6, Property, plant and equipment and NIF C-8, Intangible assets

It is modified the basis on which the depreciation or amortization of an asset is made: now that said method must reflect the pattern on the basis of which the future economic benefits are expected to be consumed, and not obtained by the entity, the future economic benefits of the asset component subject to depreciation or amortization.

It is established that a depreciation or amortization method based on the amount of income associated with the use of said assets is not appropriate, given that said amount of income may be affected by factors other than the pattern of consumption of economic benefits of assets. However, unlike NIF C-6, NIF C-8 allows the use of an income-based method, in specific situations.

The provisions of these improvements became effective until January 1st, 2018.

The adoption of this improvement had no effect on the Company's financial statements.

Improvements to NIF 2017

The amendments that generated accounting changes in valuation, presentation or disclosure in the financial statements and that came into force until January 1st, 2017, are as follows:

(i) NIF B-13, Events after the date of the financial statements

In cases where a long-term liability is due immediately because the Company has breached any condition of the credit agreement as of the date of the financial statements, NIF B-13 required to reclassify the long-term liability as a short term liability to the date of the financial statements, even if during the subsequent period the creditor has agreed not to make the payment due as a result of the breach.

Based on certain suggestions received by the CINIF, changes were made to NIF B-13 to allow it, if during the subsequent period (lapse between the date of the financial statements and the date on which they are authorized for issuance to third parties) a debtor entity obtains an agreement to maintain long-term payments for a liability contracted with long-term payment conditions and in which it has fallen into default, keep the classification of said liability as a long-term item as of the date of financial statements.

20.

Supported by the economic substance postulate, the CINIF considered that it is appropriate to maintain the classification of a heading as long-term as of the date of the financial statements, when it is a financial asset or a financial liability that: a) has been hired on the basis of collection or long-term payment; and b) despite the fact that the debtor was in default at the date of the financial statements, during the subsequent period he obtains an agreement to maintain his collection or payment on a long-term basis. NIF B-13 was also modified in accordance with this criterion, as well as NIF B-6, Statement of financial position, NIF C-19, Financial instrument payable, and NIF C-20, financial instruments receivable principal and interest, which also refer to this issue.

It is considered that the new approach of NIF B-13 is more appropriate, and even, it is convergent with that established in the US-GAAP. This change represents a new difference with the International Financial Reporting Standards (IFRS), which is classified as Type "B", that is, it is a difference in which the CINIF considers that, for their elimination, IFRS are the ones that they should change.

The provisions of these improvements came into force until January 1st, 2017, allowing their early application as of January 1st, 2016.

The adoption of this improvement had no effect on the Company's financial statements.

(ii) NIF C-4, Inventories

NIF C-4, in paragraph 60.1, requires disclosure of the amount of inventories received in consignment, administration or for manufacturing. Based on a certain suggestion received by the CINIF, it modified NIF C-4 to require the disclosure of the commitments made in relation to said inventories; for example, the obligation to return temporarily imported inventories. Additionally, NIF C-6, Property, plant and equipment was modified to require disclosures about the machinery and equipment received and temporarily maintained to carry out manufacturing work or for demonstration and on which it is committed to return them.

The provisions of these improvements became effective until January 1st, 2017.

The adoption of this improvement had no effect on the Company's financial statements.

(iii) NIF C-11, Stockholders equity

NIF C-11 did not make reference to the accounting treatment of the registration expenses in a stock exchange of shares of an entity that at the date of registration was already owned by investors and for which the issuing entity had already received the corresponding funds. With this registration, the entity is allowed to have its shares traded on the stock exchange, expanding its financing options.

Therefore, the CINIF amended NIF C-11 to establish that the registration expenses mentioned in the previous paragraph must be recognized by an entity in its net profit or loss at the time of its accrual, considering that there was no capital transaction.

On the other hand, NIF C-11 established that any expense incurred in the repurchase of repurchased shares should affect results, an issue that CINIF considers to be inconsistent with the treatment that, in general, the NIF itself establishes for registration and issuance of shares, which should be recognized as a decrease in the capital issued and placed. For this reason, the CINIF modified the NIF, establishing the latter treatment for both cases. The proposed change is convergent with International regulations, specifically with NIC-32, Financial Instruments: Presentation.

The provisions of these improvements became effective until January 1st, 2017.

The adoption of this improvement had no effect on the Company's financial statements.

(iv) NIF D-3, Employee benefits

a) Discount rate of liabilities for employee benefits

NIF D-3, in its paragraph 45.5.9 established: "The interest rate used to deduct the obligations of post-employment benefits (anchored or not anchored) should be determined using as reference the market rate of high quality corporate bonds in absolute terms in a deep market and, failing that, should take as a reference the market rate of bonds issued by the government."

Based on certain comments received, the CINIF amended NIF D-3 to allow the optional use of the government bond rate or the corporate bond rate.

In its analysis, the CINIF points out that NIF D-3 requires in said paragraph 45.5.9 the use of the rates mentioned for the determination of the present value (PV) of the long-term liabilities because they are rates that normally do not have Credit risk or this is very low and, therefore, it is considered that both represent the value of money over time. Under this argument, CINIF concluded that the information determined with any of the two rates mentioned above should be reliable and, consequently, useful.

The provisions of these improvements came into effect until January 1st, 2017, allowing early application.

The adoption of this improvement had no effect on the Company's financial statements.

b) Treatment of the remeasurements of the PNBD or ANBD

22.

NIF D-3, in paragraph 45.4.4 c) established: "when comparing the final PNBD or ANBD of subsection b) with the expectation of the PNBD or ANBD of subsection a) the resulting differences shall be recognized as remeasurements of the PNBD or ANBD in Other Integral Result (ORI), considering the provisions of section 45.7 ".

The CINIF amended NIF D-3 to allow the remeasurements mentioned in paragraph 45.4.4 to be recognized, optionally, either in the ORI as established or directly in the net profit or loss at the date of its determination.

The CINIF considered that this change provides a more practical handling of the remeasurements.

The provisions of these improvements came into effect until January 1st, 2017, allowing early application.

The adoption of this improvement had no effect on the Company's financial statements.

3. Related parties

The companies mentioned in this note are considered as affiliated since the shareholders of said companies are also shareholders of the Company.

a) The balances with related parties until December 31st, 2018 and 2017 are integrated as follows:

	2018	2017
Receivable:		
Dr. Reddy's Laboratories, Inc. (affiliated)	$25,592	$ 58,582
Dr. Reddy's Laboratories, S.A. (affiliated)	94,399	23,722
Dr. Reddy's Laboratories (UK), Ltd. (affiliated)	7,165	7,247
Dr. Reddy's Laboratories (EU), Ltd. (affiliated);	-	1,163
	$ 127,156	$ 90,714
Payable:		
Dr. Reddy's Laboratories, Ltd. (controller) (i)	$ 313,787	$ 689,989

Until December 31st, 2018 and 2017, the balances receivable from related parties are made up of balances of current accounts, without interest, payable in cash within a term of 30, 45 and 180 days for which there are no guarantees.

Balances with related parties are considered recoverable. Therefore, for years that ended on December 31st, 2018 and 2017, there was no expense arising from uncollectability of balances with related parties.

Until December 31st, 2018 and 2017, the balances payable to the related parties correspond to current account balances without interest (except for the loan mentioned below), payable in cash within 180 days for which there are no guarantee.

b) The following contracts are held with related parties:

i. Until September 25th, 2018 and December 31st, 2017, the Company had a loan with the controlling Company for $475,257 and $467,986 with interest of 9% per annum, respectively, which are in Mexican pesos and without due date, which were paid in full on September 26th, 2018.

c) During the years ended on December 31st, 2018 and 2017, the following operations were carried out with related parties:

Inventory sales:	**2018**	**2017**
Dr. Reddy's Laboratories, Inc. (affiliate)	$227,042	$147,862
Dr. Reddy's Laboratories, S.A. (affiliated)	204,454	170,979
Dr. Reddy's Laboratories (UK), Ltd. (affiliated)	18,583	8,286
Dr. Reddy's Laboratories (EU), Ltd. (affiliated)	-	1,641
Dr. Reddy's Laboratories, Ltd. (controller)	131,289	38,607
	$581,368	$367,375
Inventory purchases:		
Dr. Reddy's Laboratories, Ltd. (controller)	$625,797	$325,687
Interest expense		
Dr. Reddy's Laboratories, Ltd. (controller)	$ 30,931	$ 42,126

4. Taxes to be recovered

As of December 31st, 2018 and 2017, this item is integrated as follows:

	2018	**2017**
Value-added tax (VAT) for recovering	$ 34,141	$ 43,105
Income tax (ISR) for recovering	8,566	6,860
Total	$ 42,707	$ 49,965

24.

5. Inventories

Until December 31st, 2018 and 2017, the inventories are integrated as follows:

	2018	2017
Finished products	$ 49,040	$48,604
Production in process	245,032	151,386
Raw materials	102,283	65,730
Materials and spare parts	42,088	40,796
	438,443	306,516
Goods in transit	3,322	2,574
	441,765	309,090
Estimation due to obsolescence	(56,676)	(47,654)
Inventory, net	$ 385,089	$ 261,436

The amount is recognized in the results corresponding to the estimation of obsolescence in the 2018 and 2017 exercises were for $6,311 and $26,199, respectively.

The variation in the balance of inventories, between the years ended in December 31st, 2018 and 2017, is mainly due to the provision of obsolete inventories during the 2018 fiscal year, which in 2017 will carry out inventory destructions for a value of $45,644.

Until December 31st, 2018 and 2017, the inventory realization period is 122 and 126 days, respectively.

6. Advance payments

Until December 31st, 2018 and 2017 this item is integrated as follows:

	2018	2017
Advance payments to machinery and equipment suppliers	$5,034	$34,259
Advance payments to raw material suppliers	4,863	687
Advance payments to service providers	839	804
Prepaid insurance	1,402	1,214
Property tax	598	621
	$12,736	$37,585

7. Properties, plant and equipment

a) Until December 31st, 2018 and 2017, the properties, plant and equipment are integrated as follows:

	2018	2017
Buildings	$46,128	$46,128
Laboratory Equipment and Machinery	394,966	346,694
Office Furniture and Equipment	13,785	13,785
Computer Equipment	8,890	7,934
Transportation Equipment	7,226	7,215
	470,995	421,756
Accumulated depreciation	(297,794)	(273,639)
	173,201	148,117
Fields	92,356	92,356
Construction in progress	159,816	74,240
	$425,373	$314,713

b) The total depreciation for the 2018 and 2017 fiscal years was recorded in the income statement for an amount of $25,231 and $24,983, respectively; which was recorded under operating expenses

The constructions in progress mainly include the following projects:

- Until December 31st, 2018, the construction balance in progress corresponds mainly to the Abiraterona project, which began in 2017 and is estimated to be completed during the first semester of 2019. The approximate value of this project is $125 million pesos. Of which its percentage of exercised as of December 31, 2018 is 66%.

Until December 31st, 2018 and 2017, the value exercised for said project was $82,000 and $38,500.

Additionally, until December 31st, 2018, the Company has the following projects:

(i) Purified water system (ii) Distribution control system (iii) H-VAC system whose value amounts to $17,064, $15,658 and $15,018 respectively.

- In 2017, it corresponds to the Abiraterona project and purified water system, for amounts of $36,361 and $5,801 respectively, which were estimated to be completed during the second half of 2018, as well as the distribution control system, for an amount of $7,322, which is estimated to be completed during the first semester of 2019.

26.

8. Bank loans

The Company has a short-term bank loan with HSBC México, S.A, with an interest equivalent to the Interbank interest rate of equilibrium (TIIE) for twenty-eight days plus 1.25%, payable monthly. The term of the loan began on September 25th, 2018 and will be payable for one year.

As of December 31st, 2018 and 2017, bank loans are integrated as follows:

	2018	2017
Banking loan	$490,000	$ -
Interest accrued in the year	670	
Short-term bank loan debt	$490,670	$ -

Until December 31st, 2018, the Company is in compliance with the loan clauses with HSBC Mexico S.A.

9. Provisions

Until December 31st, 2018 and 2017, provisions are integrated as follows:

	2018	2017
Provision for customer Bayer	$5,306	$5,309
Provision for contractors	2,404	3,883
Provision for services (natural gas, electricity, water, etc.)	3,594	2,989
Goods in transit	4,260	2,578
Freight	1,227	1,591
Repair provision due to the earthquake;	-	1,247
Constructions in Progress	8,603	-
Other expenses	9,767	7,295
	$35,161	$24,892

10. Balances in foreign currency

Until December 31st, 2018 and 2017, the financial statements include monetary rights and obligations denominated in dollars (US $) of the United States of America (USA), as follows:

	Figures in thousands of dollars	
	2018	2017
Current assets:		
Cash	US $551	US $ 502
Customers	9,138	11,796
Parts related		5,751
Total assets	9,689	18,049

	2018	2017
Current liabilities:		
Related parties	(6,661)	-
Suppliers	(2,579)	(1,660)
Total liabilities	(9,240)	(1,660)
Active net monetary position	US $ 449	US $ 16,389

The exchange rates used to convert the previous amounts to national currency until December 31st, 2018 and 2017, were the following:

		Exchange rate	
Country of origin	**Currency**	**2018**	**2017**
United States of America	Dollar	$19.66	$19.74

Until March 31st, 2019, date of issuance of the financial statements, the exchange rate is $19.3793 per dollar.

11. Net liabilities for defined employee benefits

The Company has a defined benefit plan that covers its personnel, which is based on the years of service and the amount of employee compensation. The Company's policy to tune the pension plan is to contribute the maximum deductible amount for the income tax according to the projected unit credit method.

During the 2018 and 2017 periods, termination benefits paid were $2,470 and $1,902, respectively.

The cost, obligations and other elements of the pension plans, seniority premiums and compensation at the end of the employment relationship other than restructuring, mentioned in Note 2m), were determined with base on calculations prepared by independent actuaries. As of December 31st, 2018 and 2017, the components of the net cost of the period, the defined benefit obligations and the assets of the plan are integrated as follows:

a) Net cost of the period

	2018			
Integration of the net cost of the period 2018:	Pension Plan	Seniority Premium	Termination benefits	Total
Labor cost of the current service (CLSA)	$3,417	$253	$475	$4,145
Net interest on net liabilities for defined benefits (PNBD)	4,467	140	259	4,866
Recycling of PNBD re-measurements	208	69	(120)	157
Net cost for the period 2018	$8,092	$ 462	$ 614	$9,168

28.

	2017			
	Pension Plan	Seniority Premium	Termination benefits	Total
Integration of the net cost of the period 2017:				
Current labor cost of the service (CLSA)	$3,187	$237	$ 480	$3,904
Net interest on the net liability for defined benefits (PNBD)	3,982	124	263	4,369
Recycling of remeasurements of the PNBD	338	82	(92)	328
Net cost for the period 2017	$7,507	$443	$651	$8,601

b) The changes in the net liability for defined benefits are integrated as follows:

	2018			
	Pension Plan	Seniority Premium	Termination benefits	Total
Net liabilities for defined benefits (PNBD):				
PNBD as of December 31st, 2017	$ 47,120	$1,576	$3,526	$52,222
Current service labor cost	3,187	2,37	480	3,904
Net interest on PNBD	3,982	124	263	4,369
Benefits paid	(1,254)	(130)	(518)	(1,902)
Earnings recognized in ORI	(1,403)	(58)	(371)	(1,832)
PNBD as of December 31, 2018	51,632	1,749	3,380	56,761
Current service labor cost	3,417	253	475	4,145
Net interest on the PNBD	4,467	140	259	4,866
Benefits paid	(2,257)	(213)	-	(2,470)
Earnings recognized in ORI	(8,955)	(409)	(1,032)	(10,396)
PNBD as of December 31st, 2018	$48,304	$1,520	$3,082	$52,906

C. The net liability for defined benefits is integrated as follows:

	2018			
	Pension Plan	Seniority Premium	Termination benefits	Total
Provisions for:				
Defined benefit Obligation (OBD)	$63,917	$4,716	$3,082	$71,715
Plan Assets (AP)	(15,613)	(3,196)	-	(18,809)
Net Liabilities for defined benefits	$48,304	$1,520	$3,082	$52,906

	2017			
	Pension Plan	Seniority Premium	Termination benefits	Total
Provisions for:				
Obligation for defined benefits (OBD)	$66,911	$4,877	$3,380	$75,168
Plan assets (AP)	(15,279)	(3,128)	-	(18,407)
Net liabilities for defined benefits	$51,632	$1,749	$3,380	$56,761

d) The other integral results as of December 31st, 2018 is integrated as follows:

	2018			
	Pension Plan	Seniority Premium	Termination benefits	Total
Balance of other integral result (ORI) as of January 1st, 2018	$2,572	$705	$ (1,230)	$2,047
Recycling ORI in Results	(208)	(68)	120	(156)
Actuarial gains for the period	(8,955)	(409)	(1,033)	(10,397)
Balance of other integral result (ORI) as of December 31st, 2018	$(6,591)	$228	$ (2,143)	$(8,506)

The significant hypotheses used in the actuarial study, in absolute terms, are shown below:

	2018	2017
Real discount rate used to reflect the Present value of the obligations	11.25%	9.00%
Real rate of increase in future salary levels	4.50%	4.50%
Expected rate of performance of plan assets	11.25%	9.00%
Remaining labor life average of workers, in which the outstanding items are amortized	15.29 years	14.72 years

The assets of the plan are in a trust and are managed by a committee appointed by the Company.

e) There is a description below of each of the main asset classes of the plan (AP), according to their nature and risk:

	2018	2017
Debt instruments	$9,204	$9,176
Variable capital instruments	9,605	9,231
Total plan assets	$18,809	$18,407

30.

The real return on plan assets for the years ended on December 31st, 2018 and 2017 was $402 and $1,581, corresponding to the expected return on plan assets and actuarial gain / loss, respectively.

Until December 31st, 2018 and 2017, approximately 50% of the plan assets are invested in demand deposits under financial institutions of the country, at market interest rates and the remaining 50% in investments in the capital market, through investment funds that have a diversified portfolio of companies shares listed on the Mexican Stock Exchange.

12. Direct benefits to short-term employees

a) Direct benefits in the short term:

Until December 31st, 2018 and 2017, the Company has recognized cumulative provisions related to direct short-term benefits, which are:

	2018	2017
PTU payable	$8,392	$8,530
Other	2,901	1,826
	$11,293	$10,356

b) Obligations for Workers' Participation in the profit (PTU)

The PTU for the 2018 and 2017 exercises is integrated as follows:

	2018	2017
PTU caused	$8,392	$8,530
Deferred PTU	(1,856)	(1,549)
Total of the PTU	$6,536	$6,981

c) Deferred PTU

As of December 31st, 2018 and 2017, this item is integrated as follows:

	2018	2017
Deferred tax assets:		
Reserve for obsolescence	$5,519	$4,866
Provisions and other accounts payable	2,029	1,504
Benefits for employees	5,396	5,255
Property, plant and equipment	10,220	9,662
	23,164	21,287
Deferred tax liabilities:		
Advance payments	284	263
Assets for deferred PTU, net	$22,880	$21,024

The PTU caused is presented in the operating expenses and the deferred PTU in the other revenues in the total income statement.

13. Stockholders' equity

a) The common stockholder equity, to nominal value until December 31st 2018 and 2017 are integrated as follows:

	Number of stocks	Nominal value
Fixed Capital (Serie A)	50,000	50
Variable Capital	$ 140,476,270	$ 140,476
	$ 140,526,270	$ 140,526
Update counterpart		$ 9,773
Total		$ 150,299

b) According with the General Law of mercantile Companies, the company must separate the net utility from every year at least the 5% to increase the legal reserve until it reaches the 20% of the common stockholder equity.

c) Since the 1999 fiscal exercise until 2001, the ISR law allowed to defer part of the ISR payment from these years. The deferral of this tax and the relative profits are managed by the (CUFINRE)

The profits which are distributed in excess to the stocks to the CUNIFRE accounts and CUFIN (net tax utility account) will be attached to the corporative income tax payment in the current rate at the moment of the distribution. The payment of this tax could be accredited against the income tax.

Dividends paid to natural persons and to moral persons living abroad on profits generated from 2014 are subject to a withholding of an additional 10% tax.

d) Until December 31st 2018 and 2017, the other integral result are integrated as follows:

	2018	2017
ORI's Fiscal year inicial balance	$ (2,047)	$ (4,207)
ORI's Actuarial gain	10, 553	2,160
Final balance	8,506	2,047
Deferred tax	$ 2,552	$ 614
	$ 5,954	$ 1,433

32.

14. Taxes on profit

a) Income tax

For the fiscal year 2018 and 2017, according to the Law of Income Tax (ISR) the income tax rate is 30%

The income tax period is calculate applying the rate over the fiscal result.

The LISR, establishes criteria and limits for the application of some deductions, such as: the deduction of payments that in turn are exempt income for workers, the contributions for the creation or increase of reserves to pension funds, the contributions to the Institute Mexican Social Security in charge of the worker that are paid by the employer; as well as the possible non-deductibility of payments made to related parties in case of non-compliance with certain requirements.

b) Participations from the employees on the profit (PTU)

The LISR establishes that the basis for the determination of the PTU for the fiscal year is the fiscal utility that is determined for the calculation of the Income Tax for the year (ISR), considering certain adjustments considered by the LISR itself.

c) Until December 31st of 2018 and 2017, the profit tax is integrated as follows:

		2018		2017
Income tax incurred	$	25,149	$	25,118
Deferred income tax	$	(4,969)		(3,730)
Total income tax		20,180		21,388

The deferred taxes shown in the financial statements are integrated by:

		2018		2017
Deferred tax Assets:				
Obsolescence Reserve	$	16,558	$	14,598
Provisions and other accounts payable		6,085		4,513
PTU payable		2,518		2,559
Employee Benefits		16,188		15,766
Porperties, plant and equipment		30,660		28,987
		72,009		66,423
Deferred tax liabilities				
Advance Payments	$	852	$	792
Deferred PTU		6,864		6,307
		7,716		7,099
Net deferred tax	$	64,293		59,324

33.

In order to evaluate the recovery of deferred assets, the Administration considers the probability that part or all of them will not be recovered. The final realization of the deferred assets depends on the generation of taxable income in the periods in which the temporary differences are deductible. When carrying out this evaluation, the administration considers the expected reversal of deferred liabilities, projected taxable income and planning strategies.

d) The following is a reconciliation between the tax rate established by law and the effective rate of ISR recognized by the Company:

	2018	2017
Income before taxes on income	$54,220	$52,758
Approved statutory rate of income tax	30%	30%
Income tax on accounting profit	16,266	15,827
More (less):		
Effect of fiscal inflation, net	2,452	6,137
Non-deductible expenses	340	3,003
Differences of D-3	(648)	-
Other	1,770	(3,579)
Total ISR	$20,180	$21,388
Effective rate	37%	41%

e) Fiscal balances

Until December 31st, 2018, the following fiscal balances are available:

	2018	2017
Capital Account of Contribution	$237,993	$226,970
Net Fiscal Profit Account prior to 2014	198,174	189,043
Net Fiscal Profit Account after 2014	193,075	129,284

15. Analysis of net sales and other income

As of December 31st, 2018 and 2017, an analysis of the nature of net sales and other income shown in the statement of comprehensive results is shown:

	2018	2017
Sale of products to related parties	$581,368	$367,375
Sale of products to third parties	681,686	639,356
Commercialization of products	43,033	34,036
Net sales	1,306,087	1,040,767
Revenue from sale of raw material	3,421	2,710
Deferred PTU	1,856	1,549
Other	400	357
Other income	5, 677	4,616
Total income	$1,311,764	$1,045,383

34.

16. Analysis of cost of sales and operating expenses

Until December 31st, 2018 and 2017, an analysis of the nature of the cost of sales and operating expenses shown in the comprehensive income statement is shown:

	Cost of sales		Operating expenses	
	2018	2017	2018	2017
Cost of materials sold	$868,311	$553,858	-$	-$
Other expenses	58,405	26,055	44,743	75,198
Fuels and energy	46,143	40,891	4,941	10,671
Wages, salaries and benefits	68,387	48,477	9,131	65,176
External service expenses	35,655	31,110	1,158	5,938
Maintenance	18,241	14,489	9,030	13,331
Depreciation and amortization	23,674	12,870	1,557	12,113
Insurance and sureties	3,873	1,675	2,322	4,821
PTU	6,511	6,824	1,628	1,706
Total	$1,129,200	$736,249	$74,510	$188,954

17. Contingencies

Until December 31st, 2018, the Company has the following contingencies:

a) The Company is involved in several lawsuits and claims, derived from the normal course of its operations, which are expected not to have a material effect on its financial position and future operating results.

b) In accordance with the current tax legislation, the authorities have the power to review up to five fiscal years prior to the last income tax return filed.

The Company is involved in three nullity claims for the concept of auditing fiscal years of transactions between related parties of the Income Tax Law (LISR) for the years of 2006, 2007 and 2008 with an amount plus a distribution of additional profits to workers of $86,629, $52,355 and $59,367, respectively, derived from the resolutions of the tax credit and resolution to the appeal for revocation. The Company and its legal advisors consider that they have the possibility of obtaining favorable resolutions in all cases.

In reference to the three cases mentioned above, claims for annulment were filed on April 25th, 2017, March 24th, 2017 and April 21st, 2017, respectively, all of the above before the Federal Court of Administrative Justice, through which both the decision determining the tax credit and the resolution of the appeal for revocation of each case issued by the Tax Administration Service (SAT) were issued.

In addition to the foregoing, on February 8th, 2018, the company promoted before the First Metropolitan Regional Court of the Federal Court of Administrative Justice an incident of accumulation of lawsuits for the purpose of having the three lawsuits filed as one, the Chamber decided that it was applicable due to the accumulation of trials on June 1st, 2018.

c) According to the Income Tax Law, companies that perform Transactions with related parties are subject to fiscal limitations and obligations, in terms of determining agreed prices, since these must be comparable to those that would be used with or among independent parties in comparable Transactions.

In the case that the tax authorities review the prices and reject the amounts determined, they could demand, in addition to the collection of the tax and corresponding accessories (update and surcharges), fines on the omitted contributions, which could be up to 100% of the updated amount of contributions.

d) On December 1st, 2012, the reforms to the Federal Labor Law entered into force, which may have an implication within the financial situation of the Company, which can range from a disclosure in the financial statements to the recognition of an additional liability for workers' participation in the utility or for other liability related to the provision of employee services. As of December 31st, 2018, the Company's management evaluated the impact of these reforms on its financial information and concluded that they do not have an impact at the close of the 2018 fiscal year; however, this situation could change in the future, so that the administration will continue evaluating the impacts of said reform.

18. Subsequent events

As of the date of issuance of these financial statements, no subsequent events have been presented.

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 新都汇商业大楼十九层201室
ADD: Room 01 19/Block 3, New Capital Union, 177 Middle Changjiang Road, Kunshan Economic and Technical Development Zone
电话(TEL): 0512-57310554 傳真(FAX): 0512-57310640
邮编(POST): 215300

Audit Report

S.X.K.S.Z. (2019) No. 278

All Shareholders of KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.:

I. Audit Opinion

We have audited the attached financial statements of KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. (hereinafter referred to as the "Company"), including the balance sheet as of December 31, 2018, the income statement, the cash flow statement, and the statement of changes in owners' equity for 2018, as well as the notes to the financial statements. In our opinion, the attached financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, and present fairly, in all material respects, the financial position of the Company as of December 31, 2018, as well as the results of operations and cash flows for 2018.

II. Basis for Forming an Audit Opinion

We conducted our audit in accordance with the Auditing Standards for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the "Certified Public Accountants' Responsibilities for the Audit of Financial Statements" of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants (hereinafter referred to as the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate for providing a basis for our audit opinion.

III . Responsibilities of Management and Those Charged With Governance of the Financial Statements

The Company's management (hereinafter referred to as the "Management") is responsible for preparing and making a fair presentation of financial statements in accordance with the Accounting Standards for Business Enterprises, and designing, implementing and maintaining necessary internal controls to ensure the financial statements are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the 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.

IV. Certified Public Accountants' 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 audit 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 auditing standards will always detect a

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 新都商业大厦19楼
ADD: Room 19 F19(Back), New Capital Guest, 177 Middle Changjiang Road, Kunshan Economic and Technical Development Zone
电话(TEL): 0512-57310554 传真(FAX): 0512-57310640
邮编 POST: 215300

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they may 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 the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(I) 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.

(II) 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.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(IV) Conclude on the appropriateness of the 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 audit 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 audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(V) 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 communicated 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 identified during our audit.

Suzhou Xinlian Certified Public Accountants Co., Ltd.

Chinese CPA: 范志龙
(signature and seal)

Chinese CPA: 刘俊锋
(signature and seal)

Kunshan, China

March 22, 2019

Balance Sheet

Form AF-01

Unit: RMB Yuan

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

As at December 31, 2018

Item	Line No.	Closing balance	Opening balance
Current assets:	01		
Cash and cash equivalents	02	168,268,801.69	159,501,809.14
Settlement reserves	03		
Lending to banks and other finanical institutions	04		
Transactional financial assets	05		
Notes receivable	06	160,234,794.58	115,373,878.13
Accounts receivable	07	128,321,210.99	107,129,602.72
Advance payment	08	19,427,476.99	15,587,967.32
Premium receivable	09		
Reinsurance accounts receivable	10		
Reinsurance contract reserves receivable	11		
Interest receivable	12		
Other receivables	13	24,075,637.53	14,389,228.15
Redemptory monetary capital for sale	14		
Inventories	15	60,921,961.25	46,029,042.82
Including: raw materials	16	12,279,732.97	5,181,638.13
Stock goods	17	15,876,100.22	14,234,756.79
Non-current assets due within one year	18		
Other current assets	19	615,094.71	24,960.18
Total current assets	20	561,864,977.74	458,036,488.46
Non-current assets:	21		
Loans and advance issued	22		
Financial assets available for sale	23		
Held-to-maturity investments	24		
Long-term receivables	25		
Long-term equity investments	26		
Investment real estates	27		
Fixed assets- cost	28	68,636,611.28	60,728,601.11
Less: accumulated depreciation	29	38,566,369.54	35,509,165.36
Net value of fixed assets	30	30,070,241.74	25,219,435.75
Less: provision for impairment of fixed assets	31		
NBV of fixed assets	32	30,070,241.74	25,219,435.75
Construction in progress	33	1,169,326.81	1,169,326.81

Item	Line No.	Closing balance	Opening balance
Current liabilities:	65		
Short-term loans	66		
Borrowings from the central bank	67		
Deposits absorbed and due to banks and other financial institutions	68		
Borrowings from banks and other financial institutions	69		
Transactional finanical liabilities	70		
Notes payable	71		
Accounts payable	72	47,274,708.58	44,436,664.84
Advance receipt	73	1,397,302.11	122,986.40
Financial assets sold for repurchase	74		
Fees and commissions payable	75		
Payroll payable	76	35,762,748.25	29,311,384.57
Including: wages payable	77	35,762,748.25	29,311,384.57
Benefits payable	78		
Including: staff and workers' bonus and welfare fund	79		
Taxes and dues payable	80	24,336,546.03	29,972,536.43
Including: taxes payable	81	24,027,786.75	29,634,255.76
Interest payable	82		
Other payables	83	42,561,837.06	38,000,469.52
Dividend payable for reinsurance	84		
Insurance contract reserve fund	85		
Securities underwriting brokerage deposits	86		
Customer brokerage deposits	87		
Non-current liabilities due within one year	88		
Other current liabilities	89	5,539,773.77	3,786,192.27
Total current liabilities	90	156,872,915.80	145,630,238.03
Non-current liabilities:	91		
Long-term loans	92		
Bonds payable	93		
Long-term payables	94		
Special payable	95		
Accrued liabilities	96		
Deferred tax liabilities	97		

068

Balance Sheet

Form AF-01

Unit: RMB Yuan

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

As at December 31, 2018

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	156,872,915.80	145,630,236.03
Intangible assets	38	4,334,850.62	3,995,389.85	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	468,335.39		Collective capital	105		
Deferred tax assets	42	1,484,412.06	456,013.94	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	37,527,166.62	30,840,166.35	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	291,323,814.05	192,051,004.27
	60			Translation reserve	124		
	61			Total owner's equity attributable to owners of parent company	125	442,519,228.56	343,246,418.78
	62			Minority interest	126		
	63			Total owner's equity	127	442,519,228.56	343,246,418.78
Total assets	**64**	**599,392,144.36**	**488,876,654.81**	**Total liabilities and owner's equity**	**128**	**599,392,144.36**	**488,876,654.81**

Income Statement

Form AF-02

Unit: RMB Yuan

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

For the Year 2018

Item	Line No.	Current period	Prior period
I Total operating income	01	672,524,114.84	567,004,966.41
Including: operating income	02	672,524,114.84	567,004,966.41
Including: income from main business	03		
Income from other businesses	04		
Interest income	05		
Earned premium	06		
Fee and commission income	07		
II Total operating costs	08	530,353,653.48	436,750,946.02
Including: operating costs	09	148,780,756.74	129,256,774.84
Including: costs main business	10	148,780,756.74	129,256,774.84
Cost of other businesses	11		
Interest expenses	12		
Fee and commission expenses	13		
Loan value	14		
Net payment for insurance claims	15		
Net amount of reserves for reinsurance contract	16		
Expenditures dividend policy	17		
Reinsurance costs	18		
Business tax and surcharges	19	10,125,276.01	8,784,869.23
Selling expenses	20	335,604,781.64	274,106,198.44
Overhead expenses	21	31,781,958.23	21,762,789.63
Including: business entertainment expenses	22		
R&D expenses	23	12,732,319.10	7,239,133.41
Financial expenses	24	3,859,329.71	2,728,662.96
Including: interest expenses	25		
Interest income	26	392,252.48	260,707.22
Net exchange loss (net income expressed with "-")	27	1,382,534.81	-636,690.52
Assets impairment loss	28	201,551.15	111,650.92
The disposal income	29	-142,873.39	63,337.47

Item	Line No.	Current period	Prior period
Add: Income from changes in fair value (losses expressed with "-")	30		
Investment income (losses expressed with "-")	31		
Including: income from associates	32		
Exchange gains (losses expressed with "-")	33		
III Operating profit (losses expressed with "-")	34	142,027,587.97	130,317,357.86
Add: non-operating income	35	471,410.68	724,210.18
Including: income from disposal of non-current assets	36		
Income from non-monetary assets swap	37		
Government subsidies	38	343,468.09	386,336.60
Gains on debt restructuring	39		
Less: non-operating expenses	40	2,715,421.15	8,485,000.33
Including: losses on disposal of non-current assets	41		
Losses on non-monetary assets swap	42		
Losses on debt restructuring	43		
IV Income before tax (losses expressed with "-")	44	139,783,577.50	122,556,567.71
Less: income tax expenses	45	40,510,767.72	33,593,813.34
V Net profit (net losses expressed with "-")	46	99,272,809.78	88,962,754.37
Net profit attributable to owners' of parent company	47	99,272,809.78	88,962,754.37
Minority interest	48		
VI EPS	49		
Basic EPS	50		
Diluted EPS	51		
VII Other comprehensive income	52		
VIII Total comprehensive income	53	99,272,809.78	88,962,754.37
Total comprehensive income attributable to owners' of parent company	54	99,272,809.78	88,962,754.37
Total comprehensive income attributable to minority shareholders	55		

Cash Flow Statement

For the Year 2018

Form AF-03

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

Item	Line No.	Current period	Prior period
1. CASH FLOWS FROM OPERATING ACTIVITIES	1		
Cash received from sale of goods or rendering of services	2	708,779,713.02	628,648,361.73
Refund of taxes and dues	3		
Other cash received relating to operating activities	4	8,369,350.23	2,561,934.60
Sub-total of cash inflows	5	717,149,063.25	631,210,296.33
Cash paid for goods and services	6	167,015,094.89	150,896,411.80
Cash paid to and on behalf of employees	7	150,863,666.49	121,296,973.39
Payment of taxes and dues	8	137,449,738.09	107,144,632.85
Other cash paid relating to operating activities	9	241,762,326.91	184,350,563.94
Sub-total of cash outflows	10	697,090,826.38	563,687,581.98
Net cash flows from operating activities	11	20,058,236.87	67,522,714.35
2. CASH FLOWS FROM INVESTING ACTIVITIES	12		
Cash received from disposal of investments	13		
Cash received from returns on investments	14		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	15	6,000.00	190,982.93
Other cash received relating to investing activities	16		
Sub-total of cash inflows	17	6,000.00	190,982.93
Cash paid to acquire fixed assets, intangible assets and other long-term assets	18	9,914,709.51	2,346,049.34
Cash paid to acquire investments	19		
Other cash payment relating to investing activities	20		

Item	Line No.	Current period	Prior period
Sub-total of cash outflows	21	9,914,709.51	2,346,049.34
Net cash flows from investing activities	22	-9,908,709.51	-2,155,066.41
3. CASH FLOWS FROM FINANCING ACTIVITIES	23		
Cash received from capital contribution	24		
Cash received from borrowings	25		
Other cash received relating to financing activities	26		
Sub-total of cash inflows	27		
Cash repayment of amounts borrowed	28		
Cash payment for interest expenses and distribution of dividends or profit	29		
Other cash payment relating to financing activities	30		
Sub-total of cash outflows	31		
Net cash flows from financing activities	32		
4. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	33	-1,382,534.81	636,690.52
5. Net increase/ decrease in cash and cash equivalents	34	8,766,992.55	66,004,338.46
Closing balance of cash	35	168, 268, 801. 69	159,501,809.14
Less: opening balance of cash	36	159,501,809.14	93,497,470.68
Add: closing balance of cash equivalents	37		
Less: opening balance of cash equivalents	38		
Net increase/ decrease in cash and cash equivalents	39	8,766,992.55	66,004,338.46

Statement of Changes in Owner's Equity

For the Year 2018

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					196,958,716.13		348,154,130.64		348,154,130.64
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					196,958,716.13		348,154,130.64		348,154,130.64
III Changes in current year (decrease expressed with "-")	05							99,272,809.78		99,272,809.78		99,272,809.78
1. Net profit	06							99,272,809.78		99,272,809.78		99,272,809.78
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	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					296,231,525.91		447,426,940.42		447,426,940.42

Statement of Changes in Owner's Equity

For the Year 2018

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					107,995,961.76		259,191,376.27		259,191,376.27
Add: changes in accounting policies	02											
Early error correction	03							-4,907,711.86		-4,907,711.86		-4,907,711.86
II Opening balance of current year	04	153,166,636.15	-1,971,221.64					107,995,961.76		259,191,376.27		259,191,376.27
III Changes in current year (decrease expressed with "-")	05							88,962,754.37		88,962,754.37		88,962,754.37
1. Net profit	06							88,962,754.37		88,962,754.37		88,962,754.37
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	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					196,958,716.13		348,154,130.64		348,154,130.64

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.

In 1 2018 the shareholders' committee resolution and after modification, the company's articles of association rules, the company shareholders kunshan double crane pharmaceutical co., LTD will transfer the entire 0.95% stake in the company to the dragon lantern international trade (kunshan) co., LTD.

Business scope: production and marketing of drugs and medical devices; Sales of food and cosmetics; Business information consultation; And provide after-sales service and related technical consultation.

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.

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.

6. Bad debt provision

Accounts receivable and the bad debt provision of other receivables will be drawn at 0.2% of the closing balance.

7. 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

8. The intangible assets mainly consisted of the land use rights, which were to be amortized throughout the benefit period of 50 years.

9. The long-term deferred expenses mainly consisted of the other deferred expenses, which were to be amortized throughout the benefit period.

10. Employee compensation

The term "employee compensation" refers to all kinds of payments and other relevant expenditures given by the Company in exchange of the services offered by the employees, including the wages, bonuses, allowances and subsidies for employees, benefits for employees, medical insurance, endowment insurance, unemployment insurance, work-related injury insurance, maternity insurance and other social insurances, housing provident fund, trade union fund and personal education, non-monetary welfare, compensations for the cancellation of the labor relationship with the employees, and other relevant expenditures in exchange of services offered by the employees, etc.

11. Recognition of prime operating revenue

Sale of products

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.

12. 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%/16%(Value-added tax rates have been reduced from 17 per cent and 11 per cent to 16 per cent and 10 per cent, respectively, since 1 May 2018)

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, 2018	As of December 31, 2017
Cash	28,695.35	32,474.55
Bank deposits	168,240,106.34	159,469,334.59
Sub-total	168,268,801.69	159,501,809.14

2. Notes receivable:

Item	As of December 31, 2018	As of December 31, 2017
Bank's acceptance bills	160,234,794.58	115,373,878.13

3. Accounts receivable:

Item	As of December 31, 2018	As of December 31, 2017
Trade receivable	128,578,367.72	107,344,291.30
Less: bad debt provision	257,156.73	214,688.58
Sub-total	128,321,210.99	107,129,602.72
Aging structure	As of December 31, 2018	As of December 31, 2017
Less than 1 year	128,578,367.72	106,754,538.22
1-2 years	-	589,753.08
Sub-total	128,578,367.72	107,344,291.30

4. Advance payments:

Item	As of December 31, 2018	As of December 31, 2017
Payment for equipment engineering	5,149,560.00	5,832,632.00
Materials	3,460,792.00	4,741,191.30
Expenses	10,817,124.99	5,014,144.02
Sub-total	19,427,476.99	15,587,967.32
Aging structure	As of December 31, 2018	As of December 31, 2017
Less than 1 year	18,095,117.50	15,099,696.74
1-2 years	909,654.49	328,562.50
2-3 years	271,149.00	4,800.00
3 years above	151,556.00	154,908.08
Sub-total	19,427,476.99	15,587,967.32

5. Other receivables:

Item	As of December 31, 2018	As of December 31, 2017
Internal current accounts	27,000.00	27,000.00
Imprest	1,682,148.38	2,017,659.42
Advance	17,160,891.54	11,668,683.85
Others	5,251,542.13	704,721.00
Sub-total	24,121,582.05	14,418,064.27
Less: bad debt provision	45,944.52	28,836.12
Other receivables	24,075,637.53	14,389,228.15
Aging structure	As of December 31, 2018	As of December 31, 2017
Less than 1 year	23,405,361.05	12,025,814.12
1-2 years	623,700.00	2,051,129.15

2-3 years	92,521.00	153,500.00
3 years above	-	187,621.00
Sub-total	24,121,582.05	14,418,064.27

6. Inventories:

Item	As of December 31, 2018	As of December 31, 2017
Raw materials	11,153,619.04	4,009,566.06
Wrappage	1,126,113.93	1,172,072.07
Work-in-process	3,615,949.40	602,162.71
Semi-finished products	29,150,178.66	26,010,485.19
Finished products	15,876,100.22	14,234,756.79
Sub-total	60,921,961.25	46,029,042.82

7. Fixed assets:

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
Original value:				
Buildings and structures	29,015,160.52	2,599,099.10	-	31,614,259.62
Machinery& equipment	14,974,003.77	2,473,202.23	589,618.87	16,857,587.13
Transportation facilities	1,658,125.34	-	-	1,658,125.34
Instrumentation equipment	9,901,181.42	1,675,471.75	419,659.55	11,156,993.62
Electronic office equipment	4,147,222.62	2,072,872.22	449,378.46	5,770,716.38
Other equipment	1,032,907.44	565,771.75	19,750.00	1,578,929.19
Sub-total	60,728,601.11	9,386,417.05	1,478,406.88	68,636,611.28
Accumulated depreciation:				
Buildings and structures	16,706,816.83	1,457,713.22	-	18,164,530.05
Machinery& equipment	7,074,700.11	1,131,960.04	530,657.00	7,676,003.15
Transportation facilities	997,950.78	187,458.00	-	1,185,408.78
Instrumentation equipment	7,089,472.82	980,582.09	376,790.43	7,693,264.48

Electronic office equipment	2,820,283.36	558,313.53	404,448.00	2,974,148.89
Other equipment	819,941.46	70,847.73	17,775.00	873,014.19
Sub-total	35,509,165.36	4,386,874.61	1,329,670.43	38,566,369.54

8. Construction in progress:

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
Test building and ancillary facilities	1,167,326.81	-	-	1,167,326.81
Sewage treatment project, etc.	2,000.00	-	-	2,000.00
Sub-total	1,169,326.81	-	-	1,169,326.81

9. Intangible assets :

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
Land use right	3,517,447.89	-	133,573.92	3,383,873.97
Technical service charges	175,000.00	-	105,000.00	70,000.00
software	302,941.96	722,666.67	144,631.98	880,976.65
Sub-total	3,995,389.85	722,666.67	383,205.90	4,334,850.62

10. Deferred tax assets:

Item	Closing balance		Opening balance	
	Deferred tax assets	Deductible temporary difference	Deferred tax assets	Deductible temporary difference
Provision for bad debt	75,775.31	303,101.25	32,968.44	131,873.78
Accrued expenses	701,136.75	2,804,547.00	423,045.50	1,692,182.00
Unpaid wages	707,500.00	2,830,000.00	-	-
Sub-total	1,484,412.06	5,937,648.25	456,013.94	1,824,055.78

11. Accounts payable:

Item	As of December 31, 2018	As of December 31, 2017
Trade payables	47,274,708.58	44,436,664.84

Aging structure	As of December 31, 2018	As of December 31, 2017
Less than 1 year	47,123,531.46	37,346,036.83
1-2 years	128,402.12	7,049,468.32
2-3 years	6,975.00	-
3 years above	15,800.00	41,159.69
Sub-total	47,274,708.58	44,436,664.84

12. Payroll payable:

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
一、Short-term compensation	29,311,384.57	143,609,150.04	137,157,786.36	35,762,748.25
二、Post-exit welfare-setting up plan	-	10,064,409.62	10,064,409.62	-
Sub-total	29,311,384.57	153,673,559.66	147,222,195.98	35,762,748.25

①、Short-term compensation is shown

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
一、Salaries, bonuses, allowances and subsidies	29,311,384.57	126,094,626.34	119,643,262.66	35,762,748.25
二、Employee benefits	-	5,582,294.10	5,582,294.10	-
三、Social insurance premium	-	5,041,457.21	5,041,457.21	-
Among them: medical insurance premium	-	4,354,310.96	4,354,310.96	-
Work-related injury insurance	-	299,002.14	299,002.14	-
Maternity insurance	-	388,144.11	388,144.11	-
四、Housing provident fund	-	5,078,705.56	5,078,705.56	-
五、Union funds and staff education funds	-	560,143.73	560,143.73	-
六、Other short-term compensation	-	1,251,923.10	1,251,923.10	-
Sub-total	29,311,384.57	143,609,150.04	137,157,786.36	35,762,748.25

②、Set up the storage plan

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance

一、Basic pension insurance	-	9,754,236.73	9,754,236.73	-
二、Unemployment insurance	-	310,172.89	310,172.89	-
Sub-total	-	10,064,409.62	10,064,409.62	-

13. Taxes and dues payable:

Item	As of December 31, 2018	As of December 31, 2017
VAT payable	6,060,825.36	6,765,653.48
Enterprise income tax payable	16,201,626.62	20,992,205.34
Individual income tax payable	1,228,718.66	1,283,612.64
Real estate tax payable	71,604.98	75,053.51
Land use tax payable	19,883.31	31,813.30
Stamp tax payable	12,864.82	12,321.75
Urban maintenance and construction tax payable	432,263.00	473,595.74
Educational surcharges payable	185,255.57	202,969.60
Local educational surcharges payable	123,503.71	135,313.07
Sub-total	24,336,546.03	29,972,538.43

14. Other payables:

Item	As of December 31, 2018	As of December 31, 2017
Expenses	42,561,837.06	38,000,469.52
Aging structure	As of December 31, 2018	As of December 31, 2017
Less than 1 year	42,229,693.06	37,675,854.52
1-2 years	15,204.00	319,040.00
2-3 years	316,940.00	-
3 years above	-	5,575.00
Sub-total	42,561,837.06	38,000,469.52

15. Other current liabilities:

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
Water and electricity charges	-	1,317,890.86	1,317,890.86	-

Royalties	1,692,182.00	-	1,692,182.00	-
Cash discount	-	2,804,547.00	-	2,804,547.00
Others	2,094,010.27	27,258,706.20	26,617,489.70	2,735,226.77
Sub-total	3,786,192.27	31,381,144.06	29,627,562.56	5,539,773.77

16. 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)
Rotam International	-	1,515,447.50	-	1,515,447.50
Trade(Kunshan) Limited	(-	USD175,000.00	-	USD175,000.00)
Sub-total	153,166,636.15	1,515,447.50	1,515,447.50	153,166,636.15
	(USD18,330,110.00	USD175,000.00	USD175,000.00	USD18,330,110.00)

Note: On January 9, 2018, Kunshan Shuanghe Pharmaceutical Co., Ltd. transferred all its shares in the company to Longxiang International Trade(Kunshan) Co., Ltd.. By the date of issuance of the report, the change registration procedure has been completed.

17. 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

18. Retained earnings:

Item	Opening balance	Increase in current year	Decrease in current year	Closing balance
Retained earnings	192,051,004.27	99,272,809.78	-	291,323,814.05

Note: The original amount approved in the previous year was 196,958,716.13 yuan, the retroactive adjustment of income tax compensation for 2014-2016 was 4,907,711.86 yuan, and the undistributed profit at the beginning of the adjustment was 192,051,004.27 yuan.

V. Notes to Income Statement Items

Item	For the year ended December 31,	For the year ended December 31,

	2018	2017
Operating income	672,524,114.84	567,004,966.41
Operating costs	148,780,756.74	129,256,774.84
Taxes and Additions	10,125,276.01	8,784,869.23
Operating expenses	335,604,781.64	274,106,198.44
Overhead expenses	31,781,958.23	21,762,789.63
Financial expenses	3,859,329.71	2,728,662.96
Asset impairment losses	201,551.15	111,650.92
The disposal income	-142,873.39	63,337.47
Non-operating revenue	471,410.68	724,210.18
Non-operating expenses	2,715,421.15	8,485,000.33
Income tax	40,510,767.72	33,593,813.34
Net profit	99,272,809.78	88,962,754.37

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
Dragon lantern international trade(kunshan) Co., Ltd. (China)	Kunshan	Investor	Limited liability company
DR. Reddy's (wuxi)pharmaceutical Co., Ltd.	Wuxi	Subject to the control of the same ultimate parent company	Limited liability company

2. Related party transactions

(1) Balance of receivables and payables

Item	Closing balance as of December 31, 2018	Closing balance as of December 31, 2017
Other receivables:		
DR. Reddy's (wuxi)pharmaceutical Co., Ltd.	RMB7,800,000.00	-

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.

March 22, 2019

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

昆山市市场监督管理局

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.jagsj.gov.cn:58888/province

中华人民共和国国家工商行政管理总局监制

OFFICE COPY

LACOCK HOLDINGS LIMITED

FINANCIAL STATEMENTS
Year ended 31 March 2019

LACOCK HOLDINGS LIMITED

FINANCIAL STATEMENTS
Year ended 31 March 2019

CONTENTS

	PAGE
Board of Directors and other Corporate Information	1
Independent Auditor's Report	2 - 3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Cash Flow Statement	7
Notes to the Financial Statements	8 - 19

LACOCK HOLDINGS LIMITED

BOARD OF DIRECTORS AND OTHER CORPORATE INFORMATION

Board of Directors	George Flourentzou Milorad Vujnovic Kallam Satish Reddy CCY Management Limited Sameer Sudhakar Natu
Company Secretary	CCY Services Limited
Independent Auditors	Ernst & Young Cyprus Limited Certified Public Accountants and Registered Auditors Jean Nouvel Tower 6 Stasinou Avenue PO Box 21656 1511 Nicosia, Cyprus
Registered office	10 Diomidous str. AlphaMega-Akropolis Building 3rd Floor, Apt. 401 2024, Nicosia, Cyprus
Bankers	Bank of Cyprus Public Company Ltd Citibank
Registration number	HE169442

Building a better working world

Ernst & Young Cyprus Ltd
Jean Nouvel Tower
6 Stasinou Avenue
P.O. Box 21656
1511 Nicosia, Cyprus

Tel: +357 2220 9999
Fax: +357 2220 9998
ey.com

Independent Auditor's Report

To the Members of Lacock Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lacock Holdings Limited (the "Company"), which are presented in pages 4 to 19 and comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and cash flow 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 give a true and fair view of the financial position of Lacock Holdings Limited as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus 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 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) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, 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 International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

EY
Building a better working world

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 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 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.
- 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.

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 69 of the Auditors Law of 2017 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.

Gabriel Onisiforou
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia, 10 May 2019

LACOCK HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2019

	Note	2019 €	2018 €
Loan interest income	13.1	**2.316**	5.354
Operating Profit		**2.316**	5.354
Administration expenses	5	**(20.179)**	(25.217)
Operating loss		**(17.863)**	(19.863)
Finance costs	6	**(1.009)**	(1.055)
Loss before tax		**(18.872)**	(20.918)
Tax	7	**-**	-
Net loss for the year		**(18.872)**	(20.918)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(18.872)**	(20.918)

The notes on pages 8 to 19 form an integral part of these financial statements.

LACOCK HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION
31 March 2019

	Note	2019 €	2018 €
ASSETS			
Non-current assets			
Investment in subsidiary	8	1.750.000	1.750.000
		1.750.000	1.750.000
Current assets			
Refundable tax	9	247.358	247.358
Loans to parent	13	290.544	290.580
Cash and cash equivalents	10	6.091	28.397
		543.993	566.335
Total assets		2.293.993	2.316.335
EQUITY AND LIABILITIES			
Equity			
Share capital	11	27.416	27.416
Share premium		281.836.295	281.836.295
Translation reserve		356	356
Accumulated losses		(279.578.420)	(279.559.548)
Total equity		2.285.647	2.304.519
Current liabilities			
Trade and other payables	12	8.346	11.816
		8.346	11.816
Total equity and liabilities		2.293.993	2.316.335

On 10 May 2019 the Board of Directors of Lacock Holdings Limited authorised these financial statements for issue.

George Nafurentzou
Director

Milorad Vujnovic
Director

The notes on pages 8 to 19 form an integral part of these financial statements.

LACOCK HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2019

	Share capital €	Share premium €	Translation reserve €	Accumulated losses €	Total €
Balance at 1 April 2017	**27.416**	**281.836.295**	**356**	**(279.538.630)**	**2.325.437**
Comprehensive income					
Net loss for the year	-	-	-	(20.918)	(20.918)
Balance at 31 March 2018/ 1 April 2018	**27.416**	**281.836.295**	**356**	**(279.559.548)**	**2.304.519**
Comprehensive income					
Net loss for the year	-	-	-	(18.872)	(18.872)
Balance at 31 March 2019	**27.416**	**281.836.295**	**356**	**(279.578.420)**	**2.285.647**

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 8 to 19 form an integral part of these financial statements.

LACOCK HOLDINGS LIMITED

CASH FLOW STATEMENT
Year ended 31 March 2019

	Note	2019 €	2018 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(18.872)	(20.918)
Adjustments for:			
Interest income		(2.316)	(5.354)
		(21.188)	(26.272)
Changes in working capital:			
(Decrease)/ increase in trade and other payables		(3.470)	6.386
Cash used in operations		(24.658)	(19.886)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investment in subsidiary	8	-	(1.750.000)
Loans repayments received, including interest		2.352	1.724.774
Net cash used in investing activities		2.352	(25.226)
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net decrease in cash and cash equivalents		(22.306)	(45.112)
Cash and cash equivalents at beginning of the year		28.397	73.509
Cash and cash equivalents at end of the year	10	6.091	28.397

The notes on pages 8 to 19 form an integral part of these financial statements.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

1. Corporate information

Country of incorporation

Lacock Holdings Limited (the "Company") was incorporated in Cyprus on 15 December 2005 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 10 Diomidous str., AlphaMega Akropolis Building, 3rd Floor, Apt. 401, 2024, Nicosia, Cyprus.

Principal activities

The principal activity of the Company, which is unchanged from last year, is to provide finance to its wholly owned subsidiaries.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation

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 Cyprus Company 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 Indian Act and IFRS and the Company does not intend to issue consolidated financial statements for the year ended 31 March 2019. Copy of the consolidated financial statements can be obtained from No 8-2-337, Road No.3, Banjara Hills, Hyderabad, Telangana, India-500 034 or www.drreddys.com.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 March 2019 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 April 2018 as follows:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments (IFRS 9) replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company applied IFRS 9 on 1 April 2018.

Impact of IFRS 9

The Company's IFRS 9 impact on transition disclosed below.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

2. Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

Transition

The classification, measurement and impairment requirements were applied retrospectively by adjusting the balance sheet at the date of initial application, and as permitted by IFRS 9 the Group did not restate comparative information for prior periods. As a result, the comparative information for 2017 pursuant to IAS 39 is reported in compliance with the accounting and measurement methods disclosed in the 2017 Financial Statements. The impact on the implementation date, 1 April 2018, was recognised as an adjustment on equity.

Transition disclosures

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	Original classification under IAS 39	New classification under IFRS 9	Original Carrying Amount under IAS 39 – 31 March 2018	Reclassification/ Remeasurement	New carrying amount under IFRS 9 – 1 April 2018
Cash and term deposits	Loans and receivables	Amortised cost	28.397	-	28.397
Loan receivable	Loans and receivables	Amortised cost	290.580	-	290.580

IFRS 15 Revenue from Contracts with Customers

On April 1 2018, the Company adopted IFRS 15 'Revenue from Contracts with Customers', which specifies how and when revenue is recognised and applies to all contracts with customers, except those which are in scope of other standards such as income recognition related to financial instruments in scope of IFRS 9. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the Company's ordinary activities (e.g. sales of equipment or intangibles).

IFRS 15 specifies that variable consideration is only recognised when the related performance obligation has been satisfied and to the extent that it is highly probable that a significant reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

IFRS 15 also provides guidance on when revenues and expenses should be presented on a gross or net basis and establishes a cohesive set of disclosure requirements for information on the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Standard also requires entities to provide users of financial statements with more informative and relevant disclosures. IFRS 15 did not have a material impact on the Company's financial statements.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

2. Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash settled to equity-settled. The amendments did not have any impact on the Company's financial position and performance.

IAS 40: Transfers to Investment Property (Amendments)

The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments did not have any impact on the Company's financial position and performance.

IFRIC interpetation 22: Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation did not have any impact on the Company's financial position and performance.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. The amendments did not have any impact on the Company's financial position and performance.

IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

2. Summary of significant accounting policies (continued)

Standards, Interpretations and Amendments to published standards that are issued but not yet effective

Up to the date of approval of the financial statements, certain new Standards, Interpretations and Amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

Issued by the IASB and adopted by the European Union

- Amendments to IFRS 9 " Prepayment Features with Negative Compensation" effective for annual periods beginning on or after 1 January 2019).
- IFRS 16 "Leases" (issued on 13 January 2016) (effective for annual periods beginning on or after 1 January 2019).
- IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).

Issued by the IASB but not yet adopted by the European Union

- Amendment to IFRS 3 "Business Combinations" (effective for annual periods beginning on or after 1 January 2020).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 1 and IAS 8: Definition of Material (effective for annual periods beginning on or after 1 January 2020).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015–2017 Cycle (effective for annual periods beginning on or after 1 January 2019).
- Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The above are expected to have no significant impact on the Company's financial statements when they become effective.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company 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.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

2. Summary of significant accounting policies (continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 Assets at Amortised Cost
The Company classifies its financial assets at amortised cost if both of the following criteria are met: a) the asset is held within a business model with the sole business objective to hold the asset in order to collect the contractual cash flows, and b) 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 amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the profit or loss when the asset is derecognised, modified or impaired.

Impairment of financial assets
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company calculates ECL using the following three components:

- exposure at default (EAD),
- loss given default (LGD) and
- probability of default (PD)

EAD represents the expected exposure in the event of a default during the life of a financial instrument. For estimating the probability of default (PD), the Company use credit ratings from external rating agencies. The PD is determined on the basis of the assessment of a counterparty by reference to the relationship between the rating and PD. LGD represents an estimate of the loss if default occurs at a given time. It is usually expressed as a percentage of the EAD. It takes into account parameters such as historical loss and/or recovery rates as well as the collateral value which is discounted to the present value determining the amount of the expected shortfall.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

2. Summary of significant accounting policies (continued)

Interest income

Interest income is recognised on a time-proportion basis using the effective method.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets 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.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and approved by the Company's Directors.

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.

3. Financial risk management objectives and policies

Financial risk factors
The Company is exposed to credit risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Credit risk related to financial instruments and cash deposits: Cash balances are held with recognised financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

3. Financial risk management objectives and policies (continued)

3.1 Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019	2018
	€	€
Loans to parent	**290.544**	290.580
Refundable tax	**247.358**	247.358
Cash at bank	**6.091**	28.397
	543.993	566.335

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 during the years. Management has assessed that the loan receivable is recoverable.

3.2 Capital risk management
Capital includes equity shares and share premium.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, in order to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company's overall objectives, policies and processes remain unchanged from last year.

Fair values

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

4. Critical accounting estimates, judgments and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which had the most significant effect on the amounts recognised in the financial statements:

- **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.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

4. Critical accounting estimates, judgments and assumptions (continued)

- **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 recoverable amount (being the higher of value in use and fair value less costs to sell) would be compared to their carrying amounts to determine if a write-down is necessary.

- **Impairment of financial assets**

  The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

5. Operating loss

	2019	2018
	€	€
Auditors' remuneration for the statutory audit of annual accounts	**7.259**	7.259
Auditors' remuneration for tax advice	**1.994**	1.071
Professional fees	**10.926**	16.887
Total expenses	**20.179**	25.217

6. Finance costs

	2019	2018
	€	€
Bank charges	**(1.009)**	(1.055)
Finance costs	**(1.009)**	(1.055)

7. Tax

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
Year ended 31 March 2019

7. Tax (continued)

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years. As at 31 March 2019, the balance of tax losses which is available for offset against future taxable profits amounts to €47.755 for which no deferred tax asset is recognised in the statement of financial position.

8. Investment in subsidiary

	2019 €	2018 €
Balance at 1 April	-	-
Additions	1.750.000	1.750.000
Balance at 31 March	1.750.000	1.750.000

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2019 Holding %	2018 Holding %	2019 €	2018 €
Reddy Pharma Italy Italia S.p.A	Italy	Sale of pharmaceutical products	100	100	1.750.000	1.750.000
					1.750.000	1.750.000

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 during the year 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 assets 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 had assessed that due to the fact that the investment in Reddy Pharma continued to be loss making indicated that the investment was impaired. As a result, it had recognised full impairment of €450.000.

During the year ended 31 March 2018, the Company made an additional capital contribution amounting to €1.750.000 to Reddy Pharma.

As at 31 March 2019, the Company assessed whether there is an indication of impairment and concluded that there was none.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

9. Refundable tax

	2019 €	2018 €
Refundable tax	247.358	247.358
	247.358	247.358

The Company is currently under negotiations with the Cyprus Inland Revenue department concerning the pending tax assessment (tax years 2010-2014).

10. Cash and cash equivalents

For the purposes of the cash flow statement, the cash and cash equivalents include the following:

	2019 €	2018 €
Cash at bank and in hand	6.091	28.397
	6.091	28.397

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

11. Share capital

	2019 Number of shares	2019 €	2018 Number of shares	2018 €
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

12. Trade and other payables

	2019 €	2018 €
Accruals	8.346	11.816
	8.346	11.816

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

13. Related party transactions

The Company is controlled by Dr Reddy's Laboratories SA, incorporated in Switzerland, which owns 100% of the Company's shares.

LACOCK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

13. Related party transactions (continued)

The following transactions were carried out with related parties:

13.1 Loans to parent

	Terms	2019 €	2018 €
Dr Reddy's Laboratories SA	Principal	290.000	290.000
	Interest	544	580
		290.544	290.580

The loan bears interest of 0,80% per annum until 31 December 2018 and 0,75% per annum from 1 January 2019 onwards (2018: 0,80% per annum) and has no specified repayment date. During the year, interest income of €2.316 (2018: €5.354) was credited in the Statement of Comprehensive Income.

14. Contingent liabilities

The Company had no contingent liabilities as at 31 March 2019 and 31 March 2018.

15. Commitments

The Company had no capital or other commitments as at 31 March 2019 and 31 March 2018.

16. 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.

Independent Auditor's Report on pages 2 to 3

Independent auditor's report on the financial statements of Dr. Reddy's Laboratories LLC

Translation of the original Russian version

Contents

Page

Independent auditor's report	3
Appendices	
Financial statements of Dr. Reddy's Laboratories LLC for 2018:	
Balance sheet	6
Statement of income	7
Appendices to balance sheet and statement of income	8

Independent auditor's report

Translation of the original Russian version

To the participants of Dr. Reddy's Laboratories LLC

Opinion

We have audited the financial statements of Dr. Reddy's Laboratories LLC (the "Company"), which comprise the balance sheet as at 31 December 2018, statement of income for 2018 and appendices thereto.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, its financial performance and its cash flows for 2018 in accordance with the rules on the preparation of financial statements established in the Russian Federation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 ethical requirements that are relevant to our audit of the financial statements in the Russian Federation, 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 19 *Related parties* in the explanatory notes to the balance sheet and statement of income, which discloses a significant concentration of the Company's transactions with related parties.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the rules on the preparation of financial statements established in the Russian Federation, 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.

Translation of the original Russian version

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 its operations, or has no realistic alternative but to do so.

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 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 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.
- 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.

Translation of the original Russian version

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.

O.A. ELISEEVA
Senior manager
Ernst & Young LLC

29 March 2019

Details of the audited entity

Name: Dr. Reddy's Laboratories LLC
Record made in the State Register of Legal Entities on 5 April 2003, State Registration Number 1037707013838.
Address: Russia 115035, Moscow, Ovchinnikovskaya naberezhnaya, 20, building 1.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia, 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of the Self-regulated organization of auditors "Russian Union of Auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

TRANSLATION OF ORIGINAL RUSSIAN VERSION

TRANSLATION OF ORIGINAL RUSSIAN VERSION

Appendix №1 to Order No. 66n of the Ministry of Finance of the Russian Federation dated July 02, 2010 (as amended by Orders of the Ministry of Finance of the Russian of 05.10.2011 № 124n, of 06.04.2015 № 57n, of 06.05.2018 № 61n)

Balance sheet

as December 31, 2018

	CODES
Form (OKUD)	0710001
Date (day, month, year)	31.12.18
OKPO	74196754
TIN	7707323321
OKVED	46.18.1
OKOPF / OKFS	12300 / 23
OKEI	384

Organization: *Ts. Reddi's Laboratories LLC*
Taxpayer identification number
Type of economic activity: *The activities of persons specializing in the wholesale of*
Organizational-legal form / form of ownership: *Limited Liability Company / Private*
Unit of measure: *RUB thousand million* (delete as appropriate)
Location (address): *119313, Moscow, Chekhovskaya sub., 11/20, b.1*

Note	Indicator	Code	At December 31, 2018	At December 31, 2017	At December 31, 2016
	ASSETS				
	I. NON-OPERATIONAL ASSETS				
0	Intangible assets	1110	211,434	151,638	91,174
0	Research and development results	1120	—	—	—
0	Intangible exploration assets	1130	—	—	—
0	Tangible exploration assets	1140	—	—	—
0	Fixed assets	1150	273,667	201,493	146,372
0	Income-bearing investments in tangible assets	1160	—	—	—
0	Financial investments	1170	73,409	33,230	29,630
0	Deferred tax assets	1180	328,702	235,916	160,500
0	Other non-current assets	1190	—	—	—
	TOTAL for Section I	1100	859,202	671,397	390,676
	II. OPERATIONAL ASSETS				
0	Inventory	1210	3,405,843	2,151,345	2,094,021
0	VAT on acquired assets	1220	12,980	—	—
0	Accounts receivable	1230	8,159,210	8,377,470	7,223,923
0	Financial investments (excluding for cash equivalents)	1240	—	—	—
0	Cash and cash equivalents	1250	704,354	62,095	22,209
0	Other current assets	1260	48,482	40,047	20,501
	TOTAL for Section II	1200	11,720,838	10,591,687	9,364,363
	BALANCE	1600	12,580,140	11,182,484	10,055,461

Note	Indicator	Code	At December 31, 2018	At December 31, 2017	At December 31, 2016
	CAPITAL AND LIABILITIES				
	III. CAPITAL AND RESERVES				
0	Charter capital (pooled capital, share fund, partners' contributions)	1310	696,295	696,295	696,295
0	Treasury shares	1320	—	—	—
0	Revaluation of non-current assets	1340	—	—	—
0	Additional capital (without revaluation)	1350	—	—	—
0	Reserve capital	1360	—	—	—
0	Retained earnings (loss)	1370	1,386,428	1,216,660	990,975
	TOTAL for Section III	1300	2,082,723	1,912,955	1,687,270
	IV. LONG-TERM LIABILITIES				
0	Loans and borrowings	1410	—	—	—
0	Deferred tax liabilities	1420	—	—	—
0	Provisions	1430	—	—	—
0	Other long-term liabilities	1450	—	—	1,800
	TOTAL for Section IV	1400	—	—	1,800
	V. SHORT-TERM LIABILITIES				
0	Loans and borrowings	1510	1,472,924	611,206	671,197
0	Accounts payable	1520	8,700,478	8,449,972	7,343,245
0	Deferred income	1530	—	—	—
0	Provisions	1540	269,631	132,324	146,916
0	Other short-term liabilities	1550	22,384	11,822	3,943
	TOTAL for Section V	1500	10,497,417	9,269,529	8,166,301
	BALANCE	1700	12,580,140	11,182,484	10,055,461

Chief Executive _____ (signature) Sovetkin D.V. (printed name)

Date 27 March 2019

TRANSLATION OF ORIGINAL RUSSIAN VERSION

(as amended by Orders of the Ministry of Finance of the Russian of 06.04.2015 № 57n, of 06.03.2018 № 41n)

Statement of income

for year 2018

	CODES
Form (OKUD)	0710002
Date (day, month, year)	31.12.18
OKPO	14396711
TIN	7703371357
OKVED	46.18.1
OKOPF/ OKFS	12300 / 32
OKEI	384

Organization: Dr. Reddy's Laboratories LLC
Taxpayer identification number
Type of economic activity: The activities of agents specializing in the wholesale of pharmaceuticals
Organizational-legal form/ Form of ownership: Limited Liability Company / Private
Unit of measure: RUB thousand / million
(delete as appropriate)

Notes	Indicator	Code	For 2018	For 2017
0	Revenue	2110	16 079 925	14 862 804
0	Cost of sales	2120	(14 143 960)	(13 021 423)
0	Gross profit (loss)	2100	1 935 965	1 841 381
0	Selling expenses	2210	(1 412 966)	(1 185 490)
0	Administrative expenses	2220	(100 062)	(90 053)
0	Profit (loss) from operations	2200	436 937	565 899
0	Income from participation in other organizations	2310	—	—
0	Interest receivable	2320	4 928	2 498
0	Interest payable	2330	(136 296)	(100 744)
0	Other income	2340	30 877	24 874
0	Other expenses	2350	(83 817)	(196 903)
	Profit (loss) before taxation	2300	249 829	295 593
0	Current profit tax	2410	(82 763)	(135 103)
0	incl. Permanent tax liabilities (assets)	2421	20 013	18 280
0	Deferred tax liabilities change	2430	—	—
0	Deferred tax assets change	2450	13 785	36 918
0	Other	2460	893	8 377
	Net profit (loss)	2400	179 768	225 685
0	Result from the revaluation of non-current assets which is not included in net profit (loss) for the period	2510	—	—
0	Result from other operations which is not included in net profit (loss) for the period	2520	—	—
0	Comprehensive financial result for the period	2500	179 768	225 685
	FOR REFERENCE			
0	Basic earnings (loss) per share	2900	—	—
0	Diluted earnings (loss) per share	2910	—	—

Chief Executive _____ Soverkin D.V.
(signature) (printed name)

Date 27 March 2019

TRANSLATION OF ORIGINAL RUSSIAN VERSION

Appendix №2 to Order No. 66n of the Ministry of Finance of the Russian Federation dated July 02, 2010 (as amended by Orders of the Ministry of Finance of the Russian of 05.10.2011 № 124n, of 06.04.2013 № 57n, of 06.03.2018 № 41n)

Statement of changes in capital

for year 2018

	CODES
Form (OKUD)	0710003
Date (day, month, year)	31.12.18
OKPO	43396751
TIN	7707521227
OKVED	46.18.1
OKOPF/OKFS	12300 / 23
OKEI	384

Organization: Dr. Reddy's Laboratories LLC

Taxpayer identification number

Type of activity: The activities of agents specializing in the wholesale of pharmaceutical products, products used for medical purposes, perfumes and cosmetics, including soap, and cleaning products

Organizational-legal form/ form of ownership: Limited Liability Companies / Private

Unit of measure: RUB thousand ~~million~~ (delete as appropriate)

I. Change in capital

Indicator	Code	Charter capital	Treasury shares	Additional capital	Reserve capital	Retained earnings (loss)	Total
Capital at December 31, 2016	3100	696,295	—	—	—	990,975	1,687,270
For 2017							
Increase in Capital - total	3210	—	—	—	—	225,685	225,685
incl.							
net profit	3211	X	X	X	X	225,685	225,685
income from non-current assets revaluation	3212	X	X	—	X	—	—
income which directly increases capital	3213	X	X	—	X	—	—
additional issue of shares	3214	—	—	—	X	X	—
increase in the par value of shares	3215	—	—	—	X	—	X
reorganization of the legal entity	3216	—	—	—	—	—	—
Decrease in Capital - total	3220	—	—	—	—	—	—
incl.							
net losses	3221	X	X	X	X	—	—
losses from non-current assets revaluation	3222	X	X	—	X	—	—
expenses which directly reduce	3223	X	X	—	X	—	—
decrease in the par value of shares	3224	—	—	—	X	—	—
decrease in the number of shares	3225	—	—	—	X	—	—
reorganization of the legal entity	3226	—	—	—	—	—	—
dividends	3227	X	X	X	X	—	—
Additional capital change	3230	X	X	—	—	—	—
Reserve capital change	3240	X	X	X	—	—	X
Capital at December 31, 2017	3200	696,295	—	—	—	1,216,660	1,912,955
For 2018							
Increase in Capital - total	3310	—	—	—	—	179,768	179,768
incl.							
net profit	3311	X	X	X	X	179,768	179,768
income from non-current assets revaluation	3312	X	X	—	X	—	—
income which directly increases capital	3313	X	X	—	X	—	—
additional issue of shares	3314	—	—	—	X	X	—
increase in the par value of shares	3315	—	—	—	X	—	X
reorganization of the legal entity	3316	—	—	—	—	—	—
Decrease in Capital - total	3320	—	—	—	—	—	—
incl.							
net losses	3321	X	X	X	X	—	—
losses from non-current assets revaluation	3322	X	X	—	X	—	—
expenses which directly reduce	3323	X	X	—	X	—	—
decrease in the par value of shares	3324	—	—	—	X	—	—
decrease in the number of shares	3325	—	—	—	X	—	—
reorganization of the legal entity	3326	—	—	—	—	—	—
dividends	3327	X	X	X	X	—	—
Additional capital change	3330	X	X	—	—	—	—
Reserve capital change	3340	X	X	X	—	—	X
Capital at December 31, 2018	3400	696,295	—	—	—	1,396,428	2,092,723

TRANSLATION OF ORIGINAL RUSSIAN VERSION

Form 5200002 p.2

II. Capital adjustment due to accounting policy changes and prior year errors correction

Indicator	Code	At December 31, 2016	Capital change for 2017		At December 31, 2017
			due to net profit/(loss)	due to other factors	
Capital - total					
before adjustment	3400	-------	-------	-------	-------
Adjustment incl.					
Accounting policy change	3410	-------	-------	-------	-------
errors correction	3420	-------	-------	-------	-------
after adjustment	3500	-------	-------	-------	-------
incl.:					
Retained earnings					
before adjustment	3401	-------	-------	-------	-------
Adjustment incl.					
Accounting policy change	3411	-------	-------	-------	-------
errors correction	3421	-------	-------	-------	-------
after adjustment	3501	-------	-------	-------	-------
other items of capital for which adjustments have been made: (by items)					
before adjustment	3402	-------	-------	-------	-------
Adjustment incl.					
Accounting policy change	3412	-------	-------	-------	-------
errors correction	3422	-------	-------	-------	-------
after adjustment	3502	-------	-------	-------	-------

III. Net assets

Indicator	Code	At December 31, 2018	At December 31, 2017	At December 31, 2016
Net assets	3600	2,002,722	1,912,953	1,887,270

Chief Executive _____ (signature) Spyotkin D.V. (printed name)

Date 27 March 2019

TRANSLATION OF ORIGINAL RUSSIAN VERSION

Statement of cash flows

for year 2018

	CODES
Form (OKUD)	0710004
Date (day, month, year)	31.12.18
OKPO	14198753
TIN	7707531227
OKVED	46.18.1
OKOPF / OKFS	1.23 / 23
OKEI	384

Organization: Dr. Reddy's Laboratories LLC

Taxpayer identification number

Type of activity: pharmaceutical products and medical purposes, perfumes and cosmetics, including soaps and cleaning products

Organizational-legal form / form of ownership: Limited Liability Company / Private

Unit of measure: RUB thousand million (delete as appropriate)

Indicator	Code	For 2018	For 2017
Cash flows from operating activities			
Cash receipts from - total	4110	16,401,031	16,848,756
including:			
the sale of products, goods, work and services	4111	13,362,127	16,031,574
rental payments, license payments, royalties, commission and other similar payments	4112	—	—
the resale of financial investments	4113	—	—
bonuses received for the fulfillment of the contract	4114	933,984	797,182
other receipts	4119	23,926	—
Cash disbursements for - total	4120	(16,895,276)	(16,476,829)
including:			
suppliers (contractors) for raw materials, other materials, work and services	4121	(14,526,372)	(12,786,667)
in connection with payment to employees	4122	(1,671,095)	(1,598,242)
interest on debt obligations	4123	(43,578)	(119,735)
corporate income tax	4124	(83,798)	(69,181)
Other taxes and fees	4125	(87,617)	(227,332)
distributor award	4126	(408,199)	(604,408)
issued to the staff	4127	(80,433)	(80,017)
agency contract payments	4128		(559,938)
other payments	4129	(33,982)	(421,309)
Net cash flows from operating activities	4100	(494,223)	371,927
Cash flows from investing activities			
Cash receipts from - total	4210	1,769	—
including:		—	—
the sale of non-current assets (except for financial investments)	4211	1,769	—
the sales of shares in other organizations (participating interests)	4212	—	—
repayment of loans granted, from sale of debt securities (or rights of monetary claims from other parties)	4213	—	—
participating interest in other organizations	4214	—	—
other receipts	4219		—
Cash disbursements for - total	4220	(191,293)	(332,122)
including:			
purchase, construction, modernization, reconstruction and preparation for use of non-current assets	4221	(189,843)	(339,922)
the acquisition of shares in other organizations (participating interests)	4222	—	—
the acquisition of debt securities (or rights of monetary claims from other parties), the granting of loans to other parties	4223	(1,650)	(7,100)
interest paid on debt securities, included in the cost of investment asset	4224	—	—
other payments	4229	—	—
Net cash flows from investing activities	4200	(189,526)	(332,122)
Cash flows from financing activities			
Cash proceeds received from - total	4310	2,076,000	1,950,000
including:			
proceed from loans and borrowings	4311	2,076,000	1,950,000
monetary contributions of owners (participants)	4312	—	—
issue of shares and increasing of participating interests	4313	—	—
issuance of bonds, promissory notes and other debt securities and other	4314	—	—
other receipts	4319	—	—
Cash disbursements for - total	4320	(1,350,000)	(1,950,000)
including:			
to owners (participants) for the repurchase of shares (participating interests) in the organization or their withdrawal from participation	4321	—	—
the payment of dividends or other distribution of earnings in favour of owners (participants)	4322	—	—
in connection with the settlement (redemption) of promissory notes and other debt securities, repayment of credits and loans	4323	(1,350,000)	(1,950,000)
Other payments	4329	—	—
Net cash flows from financing activities	4300	726,000	—
Net cash flows for the reporting period	4400	42,249	39,805
Balance of cash and cash equivalents as of the beginning of the reporting period	4450	62,005	22,200
Balance of cash and cash equivalents as of the end of the reporting period	4500	104,254	62,005
Effect of changes in the exchange rate of foreign currency to the ruble	4490	—	—

Chief Executive _____ (signature) Savetkis D.V. (printed name)

Date 27 March 2019

EXPLANATORY NOTES TO THE BALANCE SHEET AND THE STATEMENT OF INCOME (IN TABULAR FORM)

Form 2 (MSP)
page ... of ...

For ____ year ____ 2018
Organization: *Dr. Weidt's Laboratory LLC*
Unit of measure: *RUB thousand* / million
(delete as appropriate)

1. Intangible assets and expenses for research, development and technological work (R&D expenses)

1.1. Existence and movement of intangible assets

Indicator	Code	Period	At the beginning of the year		Changes in the period								At the end of the period	
						Disposals				Revaluation				
			Cost	Accumulated amortization and impairment losses	Additions	Cost	Accumulated depreciation and impairment losses	Amortization charge	Impairment loss	Cost	Accumulated amortization and impairment losses	Cost	Accumulated amortization and impairment losses
Intangible assets – total	5110	As of 2018	274,474	203,161	38,312	—	—	19,872	—	—	—	277,192	219,142
	5118	As of 2017	95,461	49,420	211,013	—	—	229,013	—	—	—	212,428	152,295
including: (type of intangible asset)	5111	As of 2018	89,637	49,350	98,084	—	—	11,500	—	—	—	177,607	129,646
Industrial property (patents, licenses)	5119	As of 2017	—	—	89,637	—	—	19,174	—	—	—	89,637	49,350
Industrial property (patents, licenses)	5112	As of 2018	178,787	153,811	45,124	—	—	128,916	—	—	—	214,453	181,451
Other (1)	5120	As of 2017	95,461	49,420	38,963	—	—	17,499	—	—	—	126,787	103,475
Other (2)	5113	As of 2018	—	—	—	—	—	—	—	—	—	—	—
...	5121	As of 2017	—	—	—	—	—	—	—	—	—	—	—
...		As of 2018	—	—	—	—	—	—	—	—	—	—	—
...		As of 2017	—	—	—	—	—	—	—	—	—	—	—

1.2. Cost of fully amortized intangible assets

Indicator	Code	At 31 December 2018	At 31 December 2017	At 31 December 2016
Total	5120	—	—	—
including: (type of intangible asset)	5121	—	—	—
...	5122	—	—	—
...	5123	—	—	—
...		—	—	—
...		—	—	—
...		—	—	—

1.3. Intangible assets with fully amortized cost

Indicator	Code	At 31 December 2018	At 31 December 2017	At 31 December 2016
Total	5130	25,208	—	—
including: (type of intangible asset)	5131	—	—	—
...	5132	25,108	—	—
...	5133	—	—	—
...		—	—	—
...		—	—	—
...		—	—	—

1.4. Evaluation and movement of R&D results

Indicator	Code	Period	At the beginning of the year: Cost	At the beginning of the year: Portion of value charged to expenses	Changes for the period: Additions	Changes for the period: Disposals: Cost	Changes for the period: Disposals: Portion of value charged to expenses in the period	Changes for the period: Disposals: Portion of value charged to expenses	At the end of the period: Cost	At the end of the period: Portion of value charged to expenses
R&D - total	3140	For 2018	—	—	—	—	—	—	—	—
	3141	For 2017	—	—	—	—	—	—	—	—
including: (more groups of costs)										
	3141	For 2018	—	—	—	—	—	—	—	—
	3126	For 2017	—	—	—	—	—	—	—	—
	3142	For 2018	—	—	—	—	—	—	—	—
	3153	For 2017	—	—	—	—	—	—	—	—
	3143	For 2018	—	—	—	—	—	—	—	—
	3151	For 2017	—	—	—	—	—	—	—	—
	3144	For 2018	—	—	—	—	—	—	—	—
	3154	For 2017	—	—	—	—	—	—	—	—

1.5. Unfinished and unregistered R&D and incomplete transactions involving the acquisition of intangible assets

Indicator	Code	Period	At the beginning of the year	Changes for the period: Costs for the period	Changes for the period: Costs expensed as unsuccessful	Changes for the period: Revaluation as intangible assets	At the end of the period
Costs of R&D in progress - total	3160	For 2018	—	—	—	—	—
	3158	For 2017	—	—	—	—	—
including: (more groups of costs)							
- exclusive rights to advertising products	3161	For 2018	—	—	—	—	—
- exclusive rights to advertising products	3171	For 2017	—	—	—	—	—
	3162	For 2018	—	—	—	—	—
	3172	For 2017	—	—	—	—	—
	3163	For 2018	—	—	—	—	—
	3173	For 2017	—	—	—	—	—
	3164	For 2018	—	—	—	—	—
	3174	For 2017	—	—	—	—	—
Outstanding transactions to acquire intangible assets - total	3169	For 2018	—	116 740	—	(96 223)	8 223
	3159	For 2017	2 497	128 927	—	(130 024)	—
including:							
- exclusive rights to advertising products	3166	For 2018	—	26 248	—	(18 223)	8 223
- exclusive rights to advertising products	3176	For 2017	2 497	73 998	—	(28 497)	—
- Purchase of technology (non-land)	3167	For 2018	—	80 068	—	(80 068)	—
- Purchase of technology (non-land)	3177	For 2017	—	55 027	—	(55 027)	—
	3168	For 2018	—	—	—	—	—
	3178	For 2017	—	—	—	—	—
	3154	For 2018	—	—	—	—	—
	3174	For 2017	—	—	—	—	—

page of

2. Fixed assets

2.1. Existence and movement of fixed assets

Indicator	Code	Period	At the beginning of the year		Changes for the period									At the end of the period	
			Cost	Accumulated depreciation	Additions	Disposals		Revaluation increase (decrease)		Impairment losses (reversal of impairment losses)		Accumulated depreciation		Cost	Accumulated depreciation
						Cost	Accumulated depreciation	Depreciation charge	Cost	Accumulated depreciation	Cost	Accumulated depreciation			
Fixed assets (including of income-bearing investments in tangible assets) - total	5201	for 31.12.18	441,556	(117,062)	95,443	(10,011)	4,262	(108,439)	—	—	—	—		518,994	(255,237)
	5201	for 31.12.17	219,321	(70,849)	255,987	(1,355)	1,341	(72,215)	—	—	—	—		441,556	(117,062)
including: group of fixed assets	5201	for 31.12.18	22,768	(16,163)	2,459	(203)	116	(4,485)	—	—	—	—		24,965	(20,456)
Computer equipment	5211	for 31.12.17	22,754	(12,009)	105	(170)	790	(4,925)	—	—	—	—		22,768	(16,163)
Buildings	5202	for 31.12.18	395,443	(115,525)	95,768	(10,169)	4,158	(108,438)	—	—	—	—		479,993	(219,805)
	5202	for 31.12.17	180,244	(12,269)	211,372	(1,172)	347	(64,114)	—	—	—	—		395,443	(115,525)
Premises	5203	for 31.12.18	30,795	(18,475)	295	—	—	(3,372)	—	—	—	—		27,008	(18,345)
	5203	for 31.12.17	30,501	(2,255)	10,100	—	—	(2,220)	—	—	—	—		30,795	(18,475)
	5204	for 31.12.18	—	—	—	—	—	—	—	—	—	—		—	—
	5204	for 31.12.17	—	—	—	—	—	—	—	—	—	—		—	—
	5205	for 31.12.18	—	—	—	—	—	—	—	—	—	—		—	—
	5205	for 31.12.17	—	—	—	—	—	—	—	—	—	—		—	—
	5206	for 31.12.18	—	—	—	—	—	—	—	—	—	—		—	—
	5206	for 31.12.17	—	—	—	—	—	—	—	—	—	—		—	—
	5207	for 31.12.18	—	—	—	—	—	—	—	—	—	—		—	—
	5207	for 31.12.17	—	—	—	—	—	—	—	—	—	—		—	—
Recorded as income-bearing investments in tangible assets - total	5220	for 31.12.18	—	—	—	—	—	—	—	—	—	—		—	—
	5220	for 31.12.17	—	—	—	—	—	—	—	—	—	—		—	—
including: group of fixed assets	5221	for 31.12.18	—	—	—	—	—	—	—	—	—	—		—	—
	5221	for 31.12.17	—	—	—	—	—	—	—	—	—	—		—	—
	5222	for 31.12.18	—	—	—	—	—	—	—	—	—	—		—	—
	5222	for 31.12.17	—	—	—	—	—	—	—	—	—	—		—	—
	5223	for 31.12.18	—	—	—	—	—	—	—	—	—	—		—	—
	5223	for 31.12.17	—	—	—	—	—	—	—	—	—	—		—	—
	5224	for 31.12.18	—	—	—	—	—	—	—	—	—	—		—	—
	5224	for 31.12.17	—	—	—	—	—	—	—	—	—	—		—	—

2.2. Ongoing capital expenditure

Indicator	Code	Period	At the beginning of the year	Changes for the period			At the end of the period
				Costs for the period	Expensed	Recognized as fixed assets or capitalized	
Construction in progress and ongoing acquisition, modernization, etc., of fixed assets - total	5240	for 2018	—	90,061	—	(90,061)	—
	5240	for 2017	—	227,987	—	(227,987)	—
Including: group of fixed assets	5241	for 2018	—	2,459	—	(2,459)	—
Computer equipment	5241	for 2017	—	105	—	(105)	—
Buildings	5242	for 2018	—	95,768	—	(95,768)	—
	5242	for 2017	—	211,372	—	(211,372)	—
Premises	5243	for 2018	—	295	—	(295)	—
	5243	for 2017	—	10,100	—	(10,100)	—
	5244	for 2018	—	—	—	—	—
	5244	for 2017	—	—	—	—	—

2.3. Change in the value of fixed assets as a result of additional construction, enhancement, reconstruction

Indicator	Code	For 20 18	For 20 17
Increase in the value of fixed assets as a result of additional construction, enhancement, reconstruction - total	3260	—	—
including: (fixed assets)	3261	—	—
	3262	—	—
	3263	—	—
	3264	—	—
Decrease in the value of fixed assets as a result of partial liquidation - total	3270	—	—
including: (fixed assets)	3271	—	—
	3272	—	—
	3273	—	—
	3274	—	—

2.4. Other uses of fixed assets

Indicator	Code	As 31 December 20 18	As 31 December 20 17	As 31 December 20 16
Leased-out fixed assets recorded on balance sheet	3280	—	—	—
Leased-out fixed assets recorded off balance sheet	3281	—	—	—
Leased-in fixed assets recorded on balance sheet	3282	—	—	—
Leased-in fixed assets recorded off balance sheet	3283	8,400	10,125	20,975
Real estate, occupied by open joint-stock company and subsidiary and, which are in the process of state registration	3284	—	—	—
Fixed assets, in conservation	3285	—	—	—
Other uses of fixed assets (as collateral, etc.)	3286	—	—	—

page ___ of ___

3. Financial investments

3.1. Existence and movement of financial investments

Indicator	Code	Period	At the beginning of the year: Cost	At the beginning of the year: Accumulated adjustment	Changes for the period: Additions	Disposals (sale/transfer): Cost	Disposals (sale/transfer): Accumulated adjustment	Impairment loss (including in discount amount of sale)	Change in fair value (impairment loss)	Transferred from/to investments in associates: Cost	Transferred from/to investments in associates: Accumulated adjustment	At the end of the period: Cost	At the end of the period: Accumulated adjustment
Long-term - total	3301	31.12.18	31,739	—	1,650	—	—	—	—	—	—	31,739	—
	3311	31.12.17	29,639	—	2,100	—	—	—	—	—	—	31,739	—
including (group, type)													
	3302	31.12.18	31,739	—	1,650	—	—	—	—	—	—	31,739	—
	3312	31.12.17	29,639	—	2,100	—	—	—	—	—	—	31,739	—
	3303	31.12.18	—	—	—	—	—	—	—	—	—	—	—
	3313	31.12.17	—	—	—	—	—	—	—	—	—	—	—
		31.12.18	—	—	—	—	—	—	—	—	—	—	—
		31.12.17	—	—	—	—	—	—	—	—	—	—	—
		31.12.18	—	—	—	—	—	—	—	—	—	—	—
		31.12.17	—	—	—	—	—	—	—	—	—	—	—
Short-term - total	3315	31.12.18	—	—	—	—	—	—	—	—	—	—	—
	3315	31.12.17	—	—	—	—	—	—	—	—	—	—	—
including (group, type)													
	3306	31.12.18	—	—	—	—	—	—	—	—	—	—	—
	3316	31.12.17	—	—	—	—	—	—	—	—	—	—	—
	3307	31.12.18	—	—	—	—	—	—	—	—	—	—	—
	3317	31.12.17	—	—	—	—	—	—	—	—	—	—	—
		31.12.18	—	—	—	—	—	—	—	—	—	—	—
		31.12.17	—	—	—	—	—	—	—	—	—	—	—
		31.12.18	—	—	—	—	—	—	—	—	—	—	—
		31.12.17	—	—	—	—	—	—	—	—	—	—	—
Financial investments - total	3300	31.12.18	31,739	—	1,650	—	—	—	—	—	—	31,400	—
	3310	31.12.17	31,639	—	2,100	—	—	—	—	—	—	31,739	—

3.2. Other sets of financial investments

Indicator	Code	As at 31 December 20 18	As at 31 December 20 17	As at 31 December 20 16
Financial investments pledged as collateral - total	3320	—	—	—
including (group, type)				
	3321	—	—	—
	3322	—	—	—
	3323	—	—	—
Financial investments transferred to trust portfolio (group for sale) - total	3325	—	—	—
including (group, type)				
	3326	—	—	—
	3327	—	—	—
	3328	—	—	—
Other sets of financial investments	3329	—	—	—

page ... of ...

4. Inventory

4.1. Existence and movement of inventory

Indicator	Code	Period	At the beginning of the year		Changes for the period						At the end of the period	
			Gross	Provision to inventories	Additions (costs)	Disposals		Other movements	Transfers to/from assets held for sale		Gross	Provision to inventories
						Gross	Decreases in provisions		Gross	Decreases in provisions		
Inventory - total	3400	01.01.20..	2,713,597	(105,002)	12,022,318	11,256,414	53,002	(601,738)	0	0	3,040,871	(141,828)
Inventory - goods	3420	01.01.20..	2,457,842	(53,921)	10,642,011	10,640,414	0,002	(417,303)	0	0	2,712,237	(101,990)
[illegible]												
[illegible]	3421	01.01.20..	2,256,455	(105,002)	12,022,318	11,256,414	53,002	(601,738)	—	—	3,040,871	(141,828)
[illegible]	3425	01.01.20..	2,128,713	(53,921)	10,642,011	10,640,414	0,002	(417,303)	—	—	2,712,237	(101,990)
[illegible]	3432	01.01.20..	10,980	—	80,257	102,955	—	—	—	—	10,283	—
[illegible]	3475	01.01.20..	25,150	—	205,199	10,9,320	—	—	—	—	17,001	—
[illegible]	3473	01.01.20..	—	—	—	—	—	—	—	—	—	—
[illegible]	3475	01.01.20..	—	—	—	—	—	—	—	—	—	—
[illegible]		01.01.20..	—	—	—	—	—	—	—	—	—	—
[illegible]		01.01.20..	—	—	—	—	—	—	—	—	—	—
[illegible]		01.01.20..	—	—	—	—	—	—	—	—	—	—
[illegible]		01.01.20..	—	—	—	—	—	—	—	—	—	—

4.2. Pledged inventory

Indicator	Code	As at 31 December 20..	As at 31 December 20..	As at 31 December 20..
Inventory agreed at the reporting date - total	3440	—	—	—
including: (group type)				
[illegible]	3441	—	—	—
[illegible]	3442	—	—	—
	3443	—	—	—
	3444	—	—	—
Inventory pledged as collateral under contract - total	3445	—	—	—
including: (group type)				
	3446	—	—	—
	3447	—	—	—
	3448	—	—	—
	3449	—	—	—

page 9

5. Accounts receivable and accounts payable

5.1. Balance and movement of accounts receivable

Indicator	Code	Period	At the beginning of the year		Changes for the period								At the end of the period	
					Additions		Disposals							
Long-term accounts receivable - total	5911		—	—	—	—	—	—	—	—	—	—	—	—
	5921		—	—	—	—	—	—	—	—	—	—	—	—
Including: (type)														
	5912		—	—	—	—	—	—	—	—	—	—	—	—
	5922		—	—	—	—	—	—	—	—	—	—	—	—
	5913		—	—	—	—	—	—	—	—	—	—	—	—
	5923		—	—	—	—	—	—	—	—	—	—	—	—
	5914		—	—	—	—	—	—	—	—	—	—	—	—
	5924		—	—	—	—	—	—	—	—	—	—	—	—
Short-term accounts receivable - total	5910		8,333,237	(215,787)	8,334,931	—	(8,933,157)	—	34	—	—	—	[illegible]	(215,713)
	5920		7,485,750	(39,912)	8,333,237	—	(7,485,750)	—	—	(152,975)	—	—	[illegible]	(215,787)
Including: (type)														
[illegible]	5911		6,341,818	(214,603)	6,907,231	—	(6,341,818)	—	—	—	—	—	[illegible]	(215,603)
[illegible]	5921		5,557,342	(39,912)	6,341,818	—	(5,557,342)	—	—	(152,975)	—	—	[illegible]	(215,603)
[illegible]	5912		53,586	(124)	84,787	—	(53,586)	—	34	—	—	—	84,787	(90)
[illegible]	5922		108,782	—	53,586	—	(108,782)	—	—	(124)	—	—	53,586	(124)
[illegible]	5913		13,965	—	22,357	—	(13,965)	—	—	—	—	—	22,357	—
[illegible]	5923		17,198	—	13,965	—	(17,198)	—	—	—	—	—	13,965	—
[illegible]	5914		32,650	—	32,633	—	(32,650)	—	—	—	—	—	32,633	—
[illegible]	5924		30,698	—	32,650	—	(30,698)	—	—	—	—	—	32,650	—
Other	5915		105,461	—	81,017	—	(105,461)	—	—	—	—	—	81,017	—
	5925		148,017	—	105,461	—	(148,017)	—	—	—	—	—	105,461	—
[illegible]	5916		1,193,038	—	1,205,293	—	(1,193,038)	—	—	—	—	—	[illegible]	—
[illegible]	5926		1,193,038	—	1,193,038	—	(1,193,038)	—	—	—	—	—	[illegible]	—
Total	5900		8,333,237	(215,787)	8,334,931	—	(8,933,157)	—	34	—	1	1	[illegible]	(215,713)
	5920		7,485,750	(39,912)	8,333,237	—	(7,485,750)	—	—	(152,975)	2	2	[illegible]	(215,787)

5.2. Overdue accounts receivable

Indicator	Code	As at 31 December 20 18		As at 31 December 20 17		As at 31 December 20 16	
		Recorded under contractual terms	Carrying amount	Recorded under contractual terms	Carrying amount	Recorded under contractual terms	Carrying amount
Total	5940	312,248	316,303	279,140	663,477	1,062,595	1,082,331
Including: (type)							
	5941	312,248	316,303	279,140	663,477	1,062,595	1,082,331
	5942	—	—	—	—	—	—
	5943	—	—	—	—	—	—
	5944	—	—	—	—	—	—

page __ of __

5.3. Existence and movement of accounts payable.

Indicator	Code	Period	Balance as of the beginning of the year	Changes for the period					Balance at the end of the period
				Additions		Disposals			
				Accounts payable arising from transactions with counterparties	Accounts payable arising from other transactions	Paid	Charged to financial results	Transferred from long-term accounts payable	
Long-term accounts payable - total	5571	1.01.16	—	—	—	—	—	—	—
	5574	12.31.17	1,000	—	—	—	—	(1,000)	—
Including: (type)									
	5572	1.01.16	—	—	—	—	—	—	—
	5573	12.31.17	1,000	—	—	—	—	(1,000)	—
	5574	1.01.16	—	—	—	—	—	—	—
	5575	12.31.17	—	—	—	—	—	—	—
	5576	1.01.16	—	—	—	—	—	—	—
	5577	12.31.17	—	—	—	—	—	—	—
Short-term accounts payable - total	5580	1.01.16	8,445,977	8,796,478	—	(8,445,977)	—	—	8,796,478
	5584	12.31.17	7,541,145	8,445,977	—	(7,541,145)	—	1,000	8,445,977
Including: (type)									
	5581	1.01.16	7,191,181	7,986,198	—	(7,191,181)	—	—	7,986,198
	5585	12.31.17	7,045,479	7,250,430	—	(7,045,479)	—	—	7,250,430
	5582	1.01.16	2,000	19	—	(2,000)	—	—	19
	5586	12.31.17	35	2,550	—	(35)	—	—	2,584
	5583	1.01.16	1,151,813	777,303	—	(1,151,813)	—	—	777,303
	5587	12.31.17	455,271	1,151,813	—	(455,271)	—	—	1,151,813
	5584	1.01.16	33,799	4,595	—	(33,799)	—	—	4,595
	5588	12.31.17	2,147	33,596	—	(2,147)	—	—	33,596
	5585	1.01.16	22	3	—	(22)	—	—	3
	5589	12.31.17	37	22	—	(37)	—	—	22
	5586	1.01.16	1,750	—	—	(1,750)	—	—	—
	5590	12.31.17	—	1,750	—	—	—	—	1,750
	5587	1.01.16	—	—	—	—	—	—	—
	5591	12.31.17	0	—	—	(1,000)	—	1,000	—
Total	5588	1.01.16	8,445,977	8,796,478	—	(8,445,977)	—	0	8,796,478
	5592	12.31.17	7,541,145	8,445,977	—	(7,541,145)	—	0	8,445,977

5.4. Overdue accounts payable

Indicator	Code	As of 31 December 20__	As of 31 December 20__	As of 31 December 20__
Total	5590	—	—	—
Including: (type)				
	5591	—	—	—
	5592	—	—	—
	5593	—	—	—
	5594	—	—	—
		—	—	—

6. Production costs

Indicator	Code	For 20 18	For 20 17
Material costs	5610	--------	--------
Payroll	5620	--------	--------
Social insurance contributions	5630	--------	--------
Depreciation and amortization	5640	--------	--------
Other costs and expenses	5650	--------	--------
Total by type of expenses	5660	--------	--------
Changes in balances (increase [-]) of work in progress, finished goods, etc.	5670	--------	--------
Changes in balances (decrease [+]) of work in progress, finished goods, etc.	5680	--------	--------
Total expenses for ordinary operations	5600	--------	--------

page __ of __

7. Provisions

Indicator	Code	Balance at the beginning of the year	Recognised	Settled	Reversal of accounting estimates	Balance at the end of the period
Provisions - total	5700	152,524	200,621	(152,524)	-------	200,621
including: *Balance of liabilities for employee benefits*	5701	70,983	124,405	(70,983)	-------	124,405
Balance of liabilities for unused vacations	5702	41,859	54,746	(41,859)	-------	54,746
Balance of liabilities for insurance premiums	5703	39,682	21,470	(39,682)	-------	21,470
(type of commitment)	5704	-------	-------	-------	-------	-------
(type of commitment)	5705	-------	-------	-------	-------	-------
(type of commitment)	0	-------	-------	-------	-------	-------
(type of commitment)	0	-------	-------	-------	-------	-------
(type of commitment)	0	-------	-------	-------	-------	-------
(type of commitment)	0	-------	-------	-------	-------	-------

8. Collateral for liabilities

Indicator	Code	At 31 December 20 18	At 31 December 20 17	At 31 December 20 16
Received - total	5800	-------	-------	-------
including:				
from	5801	-------	-------	-------
from	5802	-------	-------	-------
from	5803	-------	-------	-------
from	5804	-------	-------	-------
Provided - total	5810	-------	-------	-------
including:				
from	5811	-------	-------	-------
from	5812	-------	-------	-------
from	5813	-------	-------	-------
from	5814	-------	-------	-------

Chief Executiv _____ Sovskie D.V.
(signature) (printed name)

Date 27 March , 2019

9. Government grants

Indicator		Code	For 20 18		For 20 17	
Government grants received - total		5900	.....		.....	
including: for current expenses		5901				
for investments in non-current assets		5902				
			At the beginning of the year	Received during the year	Repaid during the year	At the end of the year
Government loans - total	20 18	5910	.....	.....	.....	.....
	20 17	5920	.....	.....	.....	.....
including: (state purpose of payment)	20 18	5911	.....	.....	.....	.....
	20 17	5921	.....	.....	.....	.....
(state purpose of payment)	20 18	5912	.....	.....	.....	.....
	20 17	5922	.....	.....	.....	.....
(state purpose of payment)	20 18	5913	.....	.....	.....	.....
	20 17	5923	.....	.....	.....	.....

Chief Executiv _____ Sovatka O.V.
(signature) (printed name)

27 March 2019

Translation of the original Russian version

CONTENTS

1.	*GENERAL INFORMATION*	2
2.	*SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*	2
3.	*INTANGIBLE ASSETS*	9
4.	*FIXED ASSETS*	9
5.	*FINANCIAL INVESTMENTS*	9
6.	*INVENTORIES*	10
7.	*ACCOUNTS RECEIVABLE*	10
8.	*CASH AND CASH EQUIVALENTS*	10
9.	*OTHER ASSETS*	10
10.	*CHARTER CAPITAL*	11
11.	*LOANS AND BORROWINGS*	11
12.	*PROVISIONS*	12
13.	*ACCOUNTS PAYABLE*	13
14.	*OTHER LIABILITIES*	13
15.	*INCOME AND OPERATING EXPENSES*	13
16.	*OTHER INCOME AND EXPENSES*	14
17.	*CHANGES IN ACCOUNTING ESTIMATES*	15
18.	*INCOME TAX*	15
19.	*RELATED PARTIES*	16
20.	*CONTINGENCIES*	18
21.	*SUBSEQUENT EVENTS AFTER 31 DECEMBER 2018*	20
22.	*BUSINESS RISKS*	20
23.	*IMPLEMENTATION OF DECISIONS BASED ON PREVIOUS YEAR RECOMMENDATIONS*	23

Translation of the original Russian version

Explanatory Notes to the balance sheet and statement of income of Dr. Reddy's Laboratories LLC for the 2018 reporting year

These Explanatory Notes constitute an integral part of the annual financial statements of Dr. Reddy's Laboratories LLC (the "Company") for the 2018 reporting year, prepared in accordance with the applicable legislation of the Russian Federation.

All amounts are presented in thousands of rubles (kRUR). Negative values are shown in parentheses.

1. GENERAL INFORMATION

The Company's legal address is: 115035, Moscow, Ovchinnikovskaya naberezhnaya, 20, bld. 1

The Company engages in the following core activities:

- Wholesale of medicines.

In 2018, the Company had an average of 836 employees.

The composition of the Company's board of directors and executive body is as follows:

Mandatory disclosure		Additional disclosure	
Full name	**Position**	**Total compensation paid**	**Details of compensation paid**
Prashant Khandelwal	General Director	16,414	Payroll for the reporting period
		2,681	Accrued payroll taxes and other compulsory payments to budgetary and non-budgetary funds for the reporting period
		1,597	Paid annual leave earned in the reporting period
		3,810	Income in-kind

Dr. Reddy's Laboratories SA is the beneficial owner of the Company.

These financial statements were prepared and signed by the Company's General Director on 27 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Company's accounting records are maintained in accordance with Federal Law No. 402-FZ of 6 December 2011, *Concerning Accounting* and the *Statute Concerning Accounting and Reporting in the Russian Federation* approved by Order No. 34n of the Russian Ministry of Finance of 29 July 1998 (as amended on 11 April 2018), as well as applicable Accounting Statements. The Company's financial statements for 2018 were prepared in accordance with the same Law and Accounting Statements.

Pursuant to Article 12.1 of Federal Law No. 402-FZ, accounting items are subject to monetary measurement.

Translation of the original Russian version

Uncertainty of estimation

Discussed below are key assumptions concerning future events and other key sources of estimation uncertainty at the reporting date that create a significant risk that material adjustments to the carrying amounts of assets and liabilities will be required within the next reporting year:

- Provision for doubtful debts;
- Allowance for impairment of inventories;
- Useful lives of intangible assets;
- Provisions for contingencies;
- Provision for vacations unused as of the reporting date;
- Provision for performance bonuses;
- Provision for bonuses (rewards) paid to distributors for reaching target volumes;
- Provision for contractual obligations.

Fixed assets

Pursuant to paragraphs 7 and 8 of Accounting Statement 6/01, *Accounting for Fixed Assets*, fixed assets are recognized at historical cost. The historical cost of fixed assets acquired for consideration is the total cost of acquisition, construction or production, net of value added tax and other recoverable taxes (except in instances stipulated by Russian law).

Fixed assets are depreciated using the straight-line method.

Fixed assets are not revalued.

Pursuant to paragraph 20 of Accounting Statement 6/01, *Accounting for Fixed Assets*, the useful lives (months) of fixed assets used for depreciation purposes are as follows:

Fixed asset group	Useful life
Small computer equipment	36
Furniture	34-72
Motor vehicles (3.5 liters or less)	48
Motor vehicles (more than 3.5 liters)	84

The historical cost used to record a fixed asset may only be adjusted in the event of additional construction, equipment, renovation, upgrading, partial liquidation or revaluation of fixed assets (paragraph 14 of Accounting Statement 6/01).

Pursuant to paragraph 11 of Accounting Statement 6/01, *Accounting for Fixed Assets*, fixed assets received under contracts providing for non-monetary compensation (settlement) are measured as follows:

- The historical cost of fixed assets received under the contracts providing for non-monetary compensation (settlement) is deemed to be the cost of assets transferred or transferable. The cost of assets transferred or transferable by the Company is based on the price it would normally charge for similar assets under comparable circumstances.
- Where it is impossible to determine the cost of assets transferred or transferable by the company, the cost of fixed assets received by the company under contracts providing for non-monetary compensation (settlement) is based on the price at which the company normally purchases similar assets under comparable circumstances.

Determination of cost limit for fixed assets recorded in inventories

Fixed assets include equipment, motor vehicles and other items with historical cost exceeding kRUR 40 per unit and useful life of more than 12 months.

Assets that meet criteria for recognition as fixed assets and have a unit cost of kRUR 40 or less are recognized in accounting records and reported in financial statements as inventories.

Translation of the original Russian version

As of 31 December 2018, the Company leased the following premises:

Facility	Area	Address	Lessor
Office (from 1 August 2018)	1360.20 sq. m.	Moscow, Ovchinnikovskaya naberezhnaya, 20, bld. 1, 6th floor	Firm Gran LLC
Office (from 1 August 2018)	518.9 sq. m.	Moscow, Ovchinnikovskaya naberezhnaya, 20, bld. 1, 8th floor	Firm Gran LLC
Office (until 31 July 2018)	482 sq. m.	Moscow Region, Krasnogorsk District, 26th km of Baltia Highway, Riga Land Business Center, Block B, 5th floor	Branch of Millgreen Limited (Cyprus)

Facility	Area	Address	Lessor
Pharmaceuticals warehouse	7,000 Euro-pallets	Moscow Region, Istra District, Davydkovo village, Dachnaya street, bld. 2	SANTENS SERVICE JSC

Since lessors have not provided the estimated value of the leased premises, this information is not recorded off balance sheet in the financial statements of Dr. Reddy's Laboratories LLC.

In 2018, lease expenses totaled amounted to kRUR 185,550 (2017: kRUR 167,725).

Intangible assets

Pursuant to paragraphs 6 and 7 of Accounting Statement 14/2007, *Accounting for Intangible Assets*, intangible assets are recognized at historical cost. The historical cost of intangible assets is deemed to be the amount denominated in cash or other form of consideration or the amount of a liability paid or payable by the Company at acquisition, creation of the asset and establishing conditions for use of the asset for planned purposes.

Pursuant to paragraph 28 of Accounting Statement 14/2007, *Accounting for Intangible Assets*, intangible assets with a finite useful life are amortized using the straight-line method.

Intangible assets with an indefinite useful life are not amortized.

In the reporting period, the Company did not identify events and circumstances to support re-assessment of the useful lives and amortization methods applied to intangible assets. Intangible asset amortization charges are reflected in the reporting period to which they relate, regardless of the financial result achieved by the Company in that period.

The useful lives applied for the purpose of amortizing intangible assets are as follows (in months):

Intangible assets	Useful life
Manufacturing technology (know-how)	44-84
Other intangible assets	24 (unless otherwise stipulated in the agreement)

The historical cost of an intangible asset at which it was entered in account records may be altered as a result of revaluation or impairment of the intangible asset.

Pursuant to paragraph 14 of Accounting Statement 14/2007, *Accounting for Intangible Assets*, intangible assets received under the contracts providing for non-monetary compensation (settlement) are valued as follows: the historical cost of such intangible assets is deemed to be the cost of assets transferred or transferable. Where it is impossible to determine the cost of assets transferred or transferable under the above contracts, the cost of intangible assets received by the Company is based on the price at which the Company normally purchases similar intangible assets under comparable circumstances.

Inventories

Pursuant to paragraph 2 of Accounting Statement 5/01, *Accounting for Inventories*, the following assets are to be included in inventories:

- Assets used as supplies, etc., in the performance of work, provision of services;
- Assets held for sale;
- Assets used for internal administrative purposes;

Translation of the original Russian version

Goods are part of inventories acquired or received from other legal entities or individuals and held for sale.

Pursuant to paragraphs 5 and 6 of Accounting Statement 5/01, *Accounting for Inventories*, inventories are recognized at their actual cost. The actual cost of inventories received for consideration is deemed to be the total amount of actual costs incurred by the entity in connection with their acquisition, net of value added tax and other recoverable taxes (except in instances stipulated by Russian law).

The actual cost of goods purchased for resale includes the following:

- Contractual amounts paid to the supplier;
- Customs duties and charges;
- Transportation and procurement costs.

The purchase cost of goods (cost) is calculated by the accounting department based on primary documents in the spreadsheet "Cost calculations for goods received". The goods at the warehouse are accounted for in batches.

Inventories issued into production or otherwise disposed of are measured at actual value of the item within the batch.

Pursuant to paragraph 24 of Accounting Statement 5/01, *Accounting for Inventories*, at the end of the reporting year, inventories are carried at the value determined on the basis of the inventory measurement methods indicated above.

Pursuant to paragraph 25 of Accounting Statement 5/01, *Accounting for Inventories*, obsolete, damaged (partially damaged) or impaired inventories are reported in the closing balance sheet net of the applicable impairment allowance. This provision is charged against the Company's financial result in an amount calculated as the difference between the current market value and actual cost of inventories if the actual cost exceeds their current market value. The Company annually determines whether it is necessary to accrue an allowance for impairment of inventories, including a provision for the destruction of goods that are not sold within their shelf life or due to defects.

Accounting for financial investments

Financial investments are recognized in accordance with Accounting Statement 19/02, *Accounting for Financial Investments*.

Financial investments include the following main types of financial investments:

- Loans provided to other entities;
- Deposits with credit organizations.

Financial investments are recognized at historical cost.

The historical cost of loans provided shall be deemed to be the amount of cash disbursement.

Financial investments, for which the current market value is determinable, are recognized in the financial statements as of the end of the reporting year at the current market value adjusted as of the previous reporting date.

Financial investments, for which the current market value is not determinable, are recognized in the financial statements as of the reporting date at their historical cost.

Financial investments for which the current market value is not determinable, contributions to charter (pooled) capital of other organizations, loans issued to other organizations, deposits with credit institutions are disposed at historical cost of each item of recognized financial investments. The cost of disposed financial investments for which the current market value is determinable is based on their most recent valuation.

Gains and losses from financial investments are recorded within other income and expenses on a gross basis.

Accounts receivable

The Company recognizes doubtful debt provisions if accounts receivable are recognized as doubtful, and takes the amount of such provisions to the financial results.

Translation of the original Russian version

Doubtful debt is an outstanding account receivable not settled or unlikely to be settled within the contractual term and not secured by proper guarantees. The amount of the provision is calculated for each doubtful debt, and depends on the debtor's financial position (solvency) and the estimated probability of a full or partial settlement. In particular, doubtful debts represent accounts receivable past due more than 365 days. The provision is made for the full amount of the debt less the amount of the related accounts payable.

If by the end of the reporting year following the year of doubtful debt provision any part of such provision remains unused, the unused amounts will be added to the financial results at the time of preparing the balance sheet as of the end of the reporting year.

Revenue

Revenue is recognized as the cash equivalent of cash and other assets received and/or accounts receivable (pursuant to paragraph 3 of Accounting Statement 9/99, *Income of an Organization*). If actual receipts fall short of the total revenue, revenue is recognized as the sum of actual receipts and outstanding accounts receivable (not covered by receipts).

Revenue is recognized if all of the following criteria are met (paragraph 12 of Accounting Statement 9/99):

- The entity is entitled to the revenue on a contractual or other basis;
- The amount of revenue is measurable;
- There is certainty that a particular transaction will result in an inflow of economic benefits;
- Ownership (possession, utilization and disposal) rights to the products (goods) have passed from the entity to the purchaser, or the work has been accepted by the customer (services have been rendered);
- The costs incurred or to be incurred in connection with the transaction are measurable.

Expenses

Administrative and selling expenses are recognized in accordance with Accounting Statement 10/99, *Expenses of an Organization*, approved by Order No. 33n of the Ministry of Finance of the Russian Federation of 6 May 1999.

Administrative and selling expenses are recognized in full in the reporting period when they were recognized as expenses related to ordinary business activity.

Expenses for marketing services related to product promotion, as well as advisory and marketing services in the form of market research under agreements with Dr. Reddy's Laboratories Ltd. (India) are taken to expenses and reported within the cost of services, since revenue under agreements is determined as an amount of incurred expenses increased by the premium.

Expenses recognized as selling expenses include:

- Salaries and insurance contributions of employees engaged in selling activities;
- Depreciation of fixed assets;
- Other payments and compensations to employees;
- Lease of premises and a warehouse;
- Transportation expenses;
- Advertising and promotion;
- Business travel expenses;
- Conferences, round tables and pharmaceutical workshops;
- Entertainment expenses;
- Marketing services for pharmacy chains;
- Expenses incurred under civil contracts;
- Other expenses.

Expenses recognized as administrative expenses include:

- Salaries and insurance contributions of employees engaged in administrative activities;
- Depreciation of fixed assets;
- Materials;
- Office lease;
- Business travel expenses of employees engaged in administrative activities;
- Advisory services;
- Office maintenance costs;
- Other expenses.

Borrowing costs

Information relating to expenses associated with the fulfillment of obligations under loans and borrowings received is recorded and disclosed in accordance with Accounting Statement 15/2008, *Accounting for Borrowing Costs*.

Borrowing costs are recognized in the accounting records and financial statements as other expenses in the reporting period to which they pertain.

Additional borrowing costs are included in other expenses on a straight-line basis over the term of the borrowing (loan agreement).

Obligations under loans and borrowings received are recorded in the financial statements as long-term obligations (with contractual maturities of more than 12 months) and short-term obligations (with contractual maturities of up to 12 months). Long-term loans and borrowings are reclassified to short-term loans and borrowings if their remaining contractual maturity is less than 12 months.

Cash and cash equivalents, recognition of cash flows

Cash and cash equivalents

For the purpose of the statement of cash flows, the Company's cash includes cash equivalents which are short-term, highly liquid financial investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. In particular, the Company includes in cash equivalents demand deposits with credit institutions and/or deposits maturing in three months or less, as well as highly liquid bank promissory notes maturing in less than three months.

Reporting cash flows on a net basis

Cash flows are presented on a net basis in the statement of cash flows when they reflect the activities of counterparties rather than those of the entity, and/or when proceeds from one party give rise to respective payments to another party. In particular, the Company reports the following cash flows on a net basis:

a) Cash flows of a commissioner or agent in connection with the performance of commission or agency services (other than fees for such services);

b) Indirect taxes included in receipts from customers and clients, payments to suppliers and contractors and payments to the budget of the Russian Federation or compensations from the budget.

Foreign currency cash flows

For the purpose of the statement of cash flows, foreign currency cash flows are translated into Russian rubles at the official rate of the foreign currency to Russian ruble set by the Central Bank of the Russian Federation as of the date of payment or receipt.

Translation of the original Russian version

Balances of cash and cash equivalents denominated in foreign currency at the beginning and end of the reporting period are recorded in the statement of cash flows in the amount in Russian rubles determined in accordance with Accounting Statement 3/2006, *Accounting for Assets and Liabilities Whose Value is Expressed in Foreign Currency*. The difference arising on the translation of the Company's cash flows and balances of cash and cash equivalents denominated in foreign currency at exchange rates ruling at different dates is recorded in the statement of cash flows separately from cash flows from operating, investing and financing activities as effect of changes in the exchange rate between the foreign currency and the Russian ruble.

Assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currency are recorded in accordance with Accounting Statement 3/2006, *Accounting for Assets and Liabilities Whose Value is Expressed in Foreign Currency*.

Exchange gains and losses are recognized in accounting records and financial statements in the reporting period in which a liability is settled or for which financial statements have been prepared.

Exchange gains and losses are taken to the Company's financial result as either other income or other expenses, except for exchange gains and losses arising from share (pooled) capital contributions. Such exchange gains and losses are taken to additional capital.

Official exchange rates of the CBR as of 31 December 2018 are as follows:

- US dollar – 69.4706 Russian rubles;
- Euro – 79.4605 Russian rubles.

Official exchange rates of the CBR as of 31 December 2017 are as follows:

- US dollar – 57.6002 Russian rubles;
- Euro – 68.8668 Russian rubles.

Official exchange rates of the CBR as of 31 December 2016 are as follows:

- US dollar – 60.6569 Russian rubles;
- Euro – 63.8111 Russian rubles.

Other

Expenses related to future periods but incurred by the entity in the reporting period are recorded on the balance sheet in accordance with asset recognition criteria set by accounting regulations and are written off based on the procedure for writing off the value of the relevant asset type. In the accounting records, such expenses are recorded in Account 97 "Prepaid Expenses". If such expenses are long-term, they are included in the line "Other non-current assets" of the balance sheet, except for their current portion maturing within 12 months after the reporting date. Such current portion and initially short-term expenses are included in the line "Other current assets" of the balance sheet.

Changes in accounting policies

In order to improve presentation of expenses related to principal activities (wholesale of medicines), the Company decided to record expenses related to the allowance for impairment of goods within the cost of goods starting from 1 January 2018.

The table below presents movements in comparatives in the statement of income resulting from the above changes in accounting policies:

Item of the statement of income	Effect of changes in accounting policies for 2017	Year ended 31 December 2017 (as previously reported)	Year ended 31 December 2017 (as restated)
Cost of sales	(108,071)	(12,913,361)	(13,021,432)
Gross profit	(108,071)	1,949,503	1,841,432
Other expenses	108,071	(304,973)	(196,902)

Translation of the original Russian version

Based on the above, adjustments have been made in the breakdowns given in the Explanatory Notes in order to ensure compatibility.

3. INTANGIBLE ASSETS

The Company's intangible assets and their movements during the reporting period are disclosed in Table 1.1 of the Explanatory Notes to the balance sheet and statement of income.

In 2018, the Company incurred expenses related to acquisition of intangible assets (new technologies) in the total amount of kRUR 80,000 (2017: kRUR 95,637; 2016: kRUR 7,237).

Information on incomplete transactions involving the acquisition of intangible assets is disclosed in Table 1.5 of the Explanatory Notes to the balance sheet and statement of income.

4. FIXED ASSETS

Fixed assets, their movements and accumulated depreciation are presented in Table 2.1 of the Explanatory Notes to the balance sheet and statement of income.

As of 31 December 2018, the gross carrying amount of fully depreciated fixed assets was kRUR 16,177 (31 December 2017: kRUR 14,190; 31 December 2016: kRUR 6,888). No fixed assets were pledged as collateral for bank loans as of 31 December 2018, 2017 and 2016.

Borrowing costs were not capitalized in 2018, 2017 and 2016.

The Company did not incur any expenses related to innovations and production modernization in 2018, 2017 and 2016; therefore, no cash was invested in innovations and production modernization.

Changes in historical cost of a fixed asset recorded on initial recognition (supplementary construction, retrofitting, refurbishment, partial liquidation or revaluation of a fixed asset) are described in Table 2.3 of the Explanatory Notes to the balance sheet and statement of income.

Information on construction in progress and movements in construction in progress as well as on uncompleted transactions to acquire or upgrade, etc., any fixed assets is presented in Table 2.2 of the Explanatory Notes to the balance sheet and statement of income.

Information on other use of fixed assets is presented in Table 2.4 of the Explanatory Notes to the balance sheet and statement of income.

5. FINANCIAL INVESTMENTS

Information on financial investments and their movements in the reporting period is presented in Table 3.1 of the Explanatory Notes to the balance sheet and statement of income.

As of 31 December, long-term loans issued included:

Borrower (by maturity)	Amount maturing later than 12 months after the reporting date			Maturity date	Annual interest rate
	2018	2017	2016		
Loan issued to DRS LLC	33,400	31,750	29,650	February 2019	8

As of 31 December 2018, loans of kRUR 33,400 (31 December 2017: kRUR 31,750; 31 December 2016: kRUR 29,650) were issued in Russian rubles.

Information on other usage of financial investments is presented in Table 3.2 of the Explanatory Notes to the balance sheet and statement of income.

Translation of the original Russian version

6. INVENTORIES

Information on inventories and their movements during the reporting period is presented in Table 4.1 of the Explanatory Notes to the balance sheet and statement of income.

As of 31 December 2018, 31 December 2017 and 31 December 2016, there were no inventories pledged.

7. ACCOUNTS RECEIVABLE

Information on accounts receivable and their movements during the reporting period is presented in Table 5.1 of the Explanatory Notes to the balance sheet and statement of income. Turnovers do not include accounts receivable recorded and repaid in the same reporting period.

As of 31 December 2018, 31 December 2017 and 31 December 2016, trade accounts receivable denominated in foreign currency were not significant.

There were no accounts receivable pledged as collateral under loan agreements.

Information about overdue accounts receivable is presented in Table 5.2 of the Explanatory Notes to the balance sheet and statement of income.

8. CASH AND CASH EQUIVALENTS

As of 31 December, cash and cash equivalents comprised the following:

Item	2018	2017	2016
RUR-denominated cash on hand and balances with banks	34,254	62,005	22,200
Cash equivalents (short-term deposit)	70,000	–	–
Total cash on the balance sheet	**104,254**	**62,005**	**22,200**
Total cash included in the statement of cash flows	**104,254**	**62,005**	**22,200**

As of 31 December 2018, the Company had access to the following extra cash resources:

- Cash in the amount of kRUR 180,000 that the Company may receive on an overdraft basis.

In general, the Company's cash flows are associated with maintaining the Company's production activities at existing level.

9. OTHER ASSETS

As of 31 December, other assets consisted of the following:

Types of assets	2018		2017		2016	
	Non-current	Current	Non-current	Current	Non-current	Current
Licenses	–	23,669	–	23,062	–	14,629
Insurance	–	17,811	–	16,325		5,872
VAT on advances received	–	2	–	394	–	–
Shortages and losses from damage to assets	–	–	–	286	–	–
Total	–	**41,482**	–	**40,067**	–	**20,501**

Translation of the original Russian version

The Company incurred expenses to acquire non-exclusive rights and licenses. Such expenses are recorded in account 97, "Prepaid expenses". Non-current expenses are included in Section I "Non-current assets" of the balance sheet ("Other non-current assets" line item), while expenses maturing within 12 months from the reporting date are included in Section II "Current assets" of the balance sheet ("Other current assets" line item).

Acquisition costs	Balance as of 31 December 2016	Additions	Disposals	Balance as of 31 December 2017	Additions	Disposals	Balance as of 31 December 2018
Software	14,628	14,198	(5,764)	23,062	9,072	(10,533)	21,601
SAP and warehouse system setup	–	–	–	–	2,068	–	2,068
Total	**14,628**	**14,198**	**(5,764)**	**23,062**	**11,140**	**(10,533)**	**23,669**

10. CHARTER CAPITAL

According to the Charter, the Company's charter capital is kRUR 696,295.

The charter capital is paid in full. There were no changes in the charter capital of the Company in 2018 and 2017.

As of 31 December 2018, 31 December 2017 and 31 December 2016, the share of fully paid interest was 100%.

The Company distributed no profit in 2018, 2017 and 2016.

11. LOANS AND BORROWINGS

As of 31 December, loans and borrowings consisted of the following:

Description	2018		2017		2016	
	Short-term loans and borrowings	Long-term loans and borrowings	Short-term loans and borrowings	Long-term loans and borrowings	Short-term loans and borrowings	Long-term loans and borrowings
Bank loans	–	–	655,206	–	674,197	–
Intragroup loan	1,473,924	–	–	–	–	–
Total loans and borrowings	**1,473,924**	–	**655,206**	–	**674,197**	–

As of 31 December 2018, interest accrued, but not paid was kRUR 97,924 (31 December 2017: kRUR 5,206; 31 December 2016: kRUR 24,197).

Accrued interest included in other expenses in 2018 and 2017 amounted to kRUR 136,296 and kRUR 100,744 respectively.

<u>Short-term loans and borrowings</u>

As of 31 December 2018, short-term loans and borrowings consisted of the following:

Description	Loans and borrowings balance as of 31 December 2018	Annual interest rate range, %	Contractual maturity date	Collateral provided (type and amount)
Intragroup loan	1,376,000	7.8	18 January 2019	No collateral
Total loans and borrowings	**1,376,000**			

Translation of the original Russian version

As of 31 December 2017, short-term loans and borrowings consisted of the following:

Description	Loans and borrowings balance as of 31 December 2017	Annual interest rate range, %	Contractual maturity date	Collateral provided (type and amount)
Loans:				
- Citibank	650,000	From 9.43 to 10.9	28 February 2018	No collateral
Total loans and borrowings	650,000			

As of 31 December 2016, short-term loans and borrowings consisted of the following:

Description	Loans and borrowings balance as of 31 December 2016	Annual interest rate range, %	Contractual maturity date	Collateral provided (type and amount)
Loans:				
- Citibank	650,000	10.9	28 February 2017	No collateral
Total loans and borrowings	**650,000**			

The carrying amounts of the short-term loans and borrowings are denominated in Russian rubles as of 31 December 2018, 31 December 2017 and 31 December 2016.

12. PROVISIONS

Information on provisions and their movements during the reporting period is presented in Table 7 of the Explanatory Notes to the balance sheet and statement of income.

As of 31 December, provisions were as follows:

Item	2018	2017	2016
Included in the total amount of provisions:			
Long-term	–	–	–
Short-term	200,621	152,524	146,916
Total	**200,621**	**152,524**	**146,916**

Unused vacations provision

The Company has created a provision for employee vacations unused as of 31 December 2018. The provision balance as of 31 December 2018 is expected to be used in the first half of 2019. Management believes that the actual amount of vacation compensation expenses will not exceed the amount of the unused vacation provision disclosed in the financial statements as of 31 December 2018.

Provision for annual or quarterly performance bonuses

The Company has created a provision for future expenses related to performance bonuses paid to regional employees on a quarterly basis and to office employees on an annual basis. It is expected that the provision amount as of 31 December 2018 will be used in the first half of 2019. Management believes that the actual amount of bonus expenses will not exceed the amount of the provision disclosed in the financial statements as of 31 December 2018.

Provision for insurance contributions (unused vacations, bonuses)

The Company has created a provision for future expenses related to insurance contributions on paid annual/quarterly bonuses and vacations provided for. It is expected that the provision amount as of 31 December 2018 will be used in the first half of 2019. Management believes that the actual amount of bonus expenses will not exceed the amount of the provision disclosed in the financial statements as of 31 December 2018.

Translation of the original Russian version

13. ACCOUNTS PAYABLE

Accounts payable and their movements in the reporting period are disclosed in Table 5.3 of the Explanatory Notes to the balance sheet and statement of income. Turnovers do not include accounts payable recorded and settled in the same reporting period.

The Company had no overdue accounts payable as of 31 December 2018, 31 December 2017 and 31 December 2016.

As of 31 December 2018, 31 December 2017 and 31 December 2016, trade accounts payable in foreign currency were not significant.

Payables to state non-budgetary funds

As of 31 December 2018, 31 December 2017 and 31 December 2016, the Company had no payables to state non-budgetary funds.

Taxes and levies payable

As of 31 December, taxes and levies payable consisted of the following:

Item	2018	2017	2016
Value-added tax	3,411	22,310	1,464
Transport tax	1,144	842	615
Property tax	–	124	33
Total taxes and levies payable	**4,555**	**23,276**	**2,112**

As of 31 December 2018, 2017 and 2016, the Company had no overdue insurance contributions, taxes and levies payable.

14. OTHER LIABILITIES

As of 31 December, other liabilities consisted of the following:

Types of liabilities	2018		2017		2016	
	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Settlements under civil contracts	–	14,186	–	8,425	–	53
Settlements related to unbilled deliveries	–	8,198	–	3,397	–	2,000
Other	–	–	–	–	1,890	1,890
Total	**–**	**22,384**	**–**	**11,822**	**1,890**	**3,943**

15. INCOME AND OPERATING EXPENSES

The following table presents information on revenue (net) from sales of goods, products, work and services (less VAT, excise taxes and similar fiscal payments) (paragraph 3 of Accounting Statement 9/99), the cost of goods, products, work and services sold, as well as the selling and administrative expenses (Accounting Statement 10/99):

Revenue and cost of sales

Activity	Revenue from the sale of goods and services, net (less VAT)	Cost of goods and services sold	Gross profit
Revenue from sales of goods to distributors	13,341,910	(11,491,253)	1,850,657
Revenue from provision of marketing services	2,738,015	(2,632,707)	105,308
Total for 2018	**16,079,925**	**(14,123,960)**	**1,955,965**

Translation of the original Russian version

Activity	Revenue from the sale of goods and services, net (less VAT)	Cost of goods and services sold	Gross profit
Revenue from sales of goods to distributors	12,104,518	(10,369,159)	1,735,359
Revenue from provision of marketing services	2,758,346	(2,652,273)	106,073
Total for 2017	**14,862,864**	**(13,021,432)**	**1,841,432**

During the reporting year, the Company sold goods in the domestic market.

Selling expenses

Selling expenses consisted of the following:

Selling expenses	2018	2017
Advertising	773,904	587,578
Marketing services for pharmacy chains	132,727	119,592
Lease of offices and premises	115,199	84,182
Payroll	108,055	108,953
Civil contract expenses	102,074	103,340
Insurance contributions	56,927	48,306
Depreciation and amortization charges	43,999	30,340
Business travel	6,699	3,152
Lease of motor vehicles	3,925	5,347
Fuel and lubricants	1,787	1,709
Personnel training and development	413	1,132
Advertising materials	–	5,615
Regional meetings	–	1,176
Other	67,257	85,058
Total selling expenses	**1,412,966**	**1,185,480**

Administrative expenses

Administrative expenses consisted of the following:

Administrative expenses	2018	2017
Payroll	51,017	45,812
Lease expenses	19,436	12,887
Office maintenance costs	8,478	5,834
Insurance contributions	8,165	4,919
Other costs	8,139	5,026
Advisory services	5,118	8,973
Depreciation and amortization charges	4,040	5,145
Materials	863	638
Business travel	806	819
Total administrative expenses	**106,062**	**90,053**

16. OTHER INCOME AND EXPENSES

In 2018 and 2017, other income and expenses consisted of the following:

Other income	Income – 2018	Income – 2017
Agency fee under agency contract with Dr. Reddy's Laboratories (India)	25,526	18,726
Income from the sale, disposal and other write-off of fixed assets	1,339	–
Insurance premium received under insurance contract	1,076	1,976
Other	2,136	4,172
Total other income	**30,077**	**24,874**

Other expenses	Expenses – 2018	Expenses – 2017
Expenses related to write-off of goods	41,623	13,158
Other personnel expenses	11,131	12,811
Expenses related to the payments for services provided by credit institutions	8,985	7,964
Expenses related to the sale, disposal or other write-off of fixed assets	1,977	–
Charge of provision for doubtful trade accounts receivable	–	155,751
Other	22,101	7,218
Total other expenses	**85,817**	**196,902**

17. CHANGES IN ACCOUNTING ESTIMATES

In 2018 and 2017, the Company made the following changes in accounting estimates:

Description of accounting estimate	Nature of change	Included in current period income / (expenses), kRUR	
		2018	2017
Doubtful debt provision	Charge/(reversal)	–	(155,751)
Inventory impairment allowance	Impairment indicators	(279,836)	(108,071)

Changes in the accounting estimates will have no significant effect on the financial statements for future periods.

18. INCOME TAX

Current income tax for 2018 and 2017 calculated in accordance with Accounting Statement 18/02 is reconciled to profit before tax as follows:

Item	Code	2018	2017
Profit (loss) before tax, per accounting records	[1]	**249,829**	**295,593**
Theoretical income tax expenses (benefit)	[2]=[1]*[8]	49,966	59,117
Permanent differences of the reporting period	[3]	**100,059**	**95,832**
Expenses related to health insurance for employees' relatives		32,632	28,195
Other non-deductible expenses		67,427	67,637
Permanent differences of prior reporting periods	[4]	–	–
Temporary differences of the reporting period	[5]	**1,757,456**	**1,634,136**
Bonuses payable to distributors		797,303	1,151,913
Trade accounts payable		318,073	223,908
Provision for employee bonuses and vacations		200,621	152,525
Inventory provision		443,829	163,993
Loss from sale of fixed assets		(27)	(24)
Expenses for the period: amortization and depreciation from kRUR 40 to kRUR 100 and bonus depreciation		(8,192)	(59,368)
Other		5,849	1,189
Temporary differences of prior reporting periods	[6]	**(1,693,528)**	**(1,350,047)**
Bonuses payable to distributors		(1,151,913)	(935,571)
Trade accounts payable		(223,908)	(206,160)
Provision for employee bonuses and vacations		(152,525)	(146,173)
Inventory provision		(163,993)	(55,922)

Item	Code	2018	2017
Other		(1,189)	(6,221)
Taxable profit (loss) per tax records	[7]= [1]+[3]+[4]+[5]+[6]	**413,816**	**675,514**
Income tax rate, %	[8]	20	20
Income tax	[9]=[7]*[1]	**82,763**	**135,103**

Translation of the original Russian version

Item	At 31 December 2018	At 31 December 2017	At 31 December 2016	Maturity date
Deferred tax asset	338,701	325,916	260,500	The next reporting period

19. RELATED PARTIES

In the course of its business, the Company enters into transactions with legal entities and individuals that are related parties.

For the most part, transactions with related parties consist of:

- Purchase and sale of goods, work and services;
- Provision of marketing services;
- Provision of agent services under agency agreements;
- Financial transactions, including receipt/provision of loans.

For the purpose of these financial statements, the Company identified the following related parties in accordance with Accounting Statement 11/2008, *Related Party Disclosures*:

No.	Legal entity or related party (full name)	Registration address	Nature of relationship	Share of the related party in the Company, %	Share of the Company in the related party, %
Parent company					
1.	Dr. Reddy's Laboratories Ltd.	Hyderabad, India	Parent	–	–
Major shareholders (participating entities)					
2.	Dr. Reddy's Laboratories SA	Basel, Switzerland	General control	99.99%	–
3.	Dr. Reddy's Laboratories International SA	Basel, Switzerland	General control	0.01%	–
Key management personnel					
4.	Prashant Khandelwal	Moscow	General Director	–	–
Other related parties					
5.	DRS LLC	Moscow	DRS LLC is controlled by the same group of entities as the Company	–	–

Cost values, terms, conditions and form of settlements for transactions not closed as of 31 December:

Nature of relationship and type of liability	2018	2017	2016	Settlement terms and conditions	*Form of settlement*
Accounts receivable, including other receivables	1,296,637	1,795,930	1,593,670		
- Parent company *Dr. Reddy's Laboratories Ltd.*	1,266,035	1,771,882	1,562,320	settlements are made on arm's length terms and under the agreement terms	non-cash
- Major shareholder (participating entity) *Dr. Reddy's Laboratories SA*	30,052	24,048	31,350	settlements are made on arm's length terms and under the agreement terms	non-cash
- Key management personnel	550	–	–	settlements under contractual terms: January 2019, February 2019	non-cash

Translation of the original Russian version

Nature of relationship and type of liability	2018	2017	2016	Settlement terms and conditions	*Form of settlement*
Accounts payable	(7,562,149)	(7,011,680)	(6,397,207)		
- Parent company *Dr. Reddy's Laboratories Ltd.*	(7,111,307)	(6,313,941)	(5,590,018)		
- Major shareholder (participating entity) *Dr. Reddy's Laboratories SA*	(445,241)	(695,361)	(802,098)		
- Key management personnel	(5,601)	(2,378)	(5,091)		wire transfer to salary cards

As of 31 December 2018, the amount of loan provided to DRS LLC was kRUR 33,400. Maturity date: 14 February 2019.

As of 31 December 2018, the amount of loan received from Dr. Reddy's Laboratories SA was kRUR 1,376,000. Maturity date: 18 January 2019.

Types and scope of the Company's transactions with related parties:

Nature of relationship and type of transaction	2018	2017
Purchase of goods (VAT excluded)	**12,322,046**	**9,934,446**
- Parent company Dr. Reddy's Laboratories Ltd.	11,718,357	9,399,153
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	603,689	535,293
Volume discount	**42,924**	**1,351,119**
- Parent company Dr. Reddy's Laboratories Ltd.	–	1,304,029
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	42,924	47,090
Credit notes approved	**15,267**	**1,060**
- Parent company Dr. Reddy's Laboratories Ltd.	15,267	961
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	–	99
Claims brought against	**14,530**	**–**
- Parent company Dr. Reddy's Laboratories Ltd.	14,450	–
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	80	–
Provision of marketing services (VAT excluded)	**2,738,015**	**2,758,346**
- Parent company Dr. Reddy's Laboratories Ltd.	2,738,015	2,758,346
Provision of agent services (VAT excluded) – agency fee	**25,526**	**22,097**
- Parent company Dr. Reddy's Laboratories Ltd.	25,526	22,297
Provision of agent services under agency agreement (bonuses to pharmacy chains, GMP), VAT excluded	**867,207**	**290,242**
- Parent company Dr. Reddy's Laboratories Ltd.	867,207	290,242
Financial transactions, including loans from related parties	**1,376,000**	**–**
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	1,376,000	–
Interest expenses under loans from related parties	**97,924**	**–**
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	97,924	–
Financial transactions, including loans to related parties and deposits placed with related parties	1,650	2,100
- Other related parties	1,650	2,100
Interest on loans issued to related parties and deposits	**2,603**	**2,466**
- Other related parties	2,603	2,466

Translation of the original Russian version

Significant cash flows between the Company and its related parties:

Nature of relationship and type of transaction	2018	2017
Cash proceeds from related parties (from operating activities)	**4,184,257**	**4,471,332**
- Parent company Dr. Reddy's Laboratories Ltd.	4,146,872	4,416,940
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	37,385	54,392
Cash transfers to related parties (from operating activities)	**11,759,532**	**10,667,418**
- Parent company Dr. Reddy's Laboratories Ltd.	10,905,723	9,978,298
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	853,809	689,120
Cash proceeds from related parties (from financing transactions):	**1,376,000**	–
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	1,376,000	–
Cash transfers to related parties (from financing activities)	**1,650**	**2,100**
- Other related parties	1,650	2,100

As of 31 December 2018, 31 December 2017 and 31 December 2016, the Company did not provide collateral to related parties to secure the Company's obligations. As of 31 December 2018, 31 December 2017 and 31 December 2016, the Company did not provide collateral to third parties to secure the liabilities of related parties.

As of 31 December 2018, 31 December 2017 and 31 December 2016, the Company did not issue or provide any promissory notes, on which the underlying counterclaims against third parties were not settled.

As of 31 December 2018, 31 December 2017 and 31 December 2016, the Company did not receive any guarantees as collateral from related parties. As of 31 December 2018, 31 December 2017 and 31 December 2016, the Company did not receive any property pledges as collateral from related parties.

In 2018 and 2017, the Company paid the following compensations to key management personnel (on an aggregate basis and by type of payment):

Item	2018	2017
Short-term benefits		
- Payroll, accrued payroll taxes and other compulsory payments, performance bonuses, vacation, medical treatment, medical care, utilities, etc.	23,350	26,531
Long-term benefits		
- Post-employment benefits (payments under voluntary insurance contracts, non-state pension insurance contracts entered into with insurers (non-state pension funds) in favor of key management personnel and other payments towards pension support and other social post-employment guarantees provided to key management personnel)	–	–
- Stock options, stock or shares, equity instruments and payments based thereon	1,152	825
- Other long-term benefits	–	–

The composition of the Board of Directors and the executive body is provided in Note 1 *General Information* of the Explanatory Notes.

20. CONTINGENCIES

Factors affecting the Company's financial position

Operating environment

Russia is continuing to institute economic reforms and develop its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and the effectiveness of economic, financial and monetary measures taken by the government.

The Russian economy is negatively affected by sanctions imposed on Russia by a number of countries. The ruble interest rates remain high. In combination, these trends have resulted in reduced capital availability, higher costs of capital, growing inflation and uncertainty regarding economic growth, which could negatively affect the Company's financial position, performance and business prospects. Management believes it is taking appropriate measures to support the

Translation of the original Russian version

Taxation

Russian tax, currency and customs legislation allows for various interpretations and is subject to frequent changes. Management's interpretation of legislation as applied to the Company's transactions and activities may be challenged by regional or federal authorities.

The year 2018 saw continued implementation of mechanisms, aimed at countering the use of low tax jurisdictions and aggressive tax planning structures for tax evasion, as well as the calibration of certain parameters of the Russian tax system. In particular, these changes included further development of the concepts of beneficial ownership, tax residency of legal entities by place of actual business activity, the approach for taxation of controlled foreign companies in Russia. In addition, the total VAT rate will be increased to 20% starting from 2019, while foreign providers of electronic services will be required to register with the Russian tax authorities to pay their VAT.

The Russian tax authorities continue to cooperate with tax authorities in other countries supporting international exchange of tax information. As a result, international activities of companies become more transparent, where organization of their international business requires economic justification in the course of tax audits.

These changes and recent trends in applying and interpreting certain provisions of Russian tax law indicate that the tax authorities may take a tougher stance in interpreting legislation and reviewing tax returns. If the tax authorities challenge transactions and accounting methods that they have never challenged before, significant tax assessments, penalties and interest may result. It is not possible to determine the amounts of constructive claims or evaluate probability of a negative outcome. Tax audits may cover a period of three calendar years immediately preceding the year under audit. Under certain circumstances, reviews may cover earlier tax periods.

According to management, as of 31 December 2018, they had properly construed the relevant legislation, and the probability that the Company will retain its position with regard to tax, currency and customs legislation is assessed as high.

Transfer pricing

The Russian tax authorities have the right to impose additional tax liabilities and penalties based on the rules stipulated in the transfer pricing legislation, if prices/margins in controlled transactions differ from the market level. The list of controlled transactions mainly includes transactions between related parties.

Tax authorities may review prices and transfer pricing documentation on cross-border transactions between related entities (without any threshold), some commodity exchange transactions and transactions with companies based in low-tax jurisdictions, as well as transactions between related entities in the domestic market, if income from transactions among Russian entities for a calendar year exceeds RUR 1 billion. It can be even less than RUR 1 billion in some instances. Domestic transactions are not recognized as controlled transactions if, for example, both parties are registered in one constituent entity of the Russian Federation, do not have losses, do not have separate subdivisions in other constituent entities of the Russian Federation and outside the Russian Federation, etc. However, not all domestic transactions are eligible for exemptions from price controls. In case of additional charges, an adjustment of tax liabilities is possible if certain legal requirements are met.

Starting from 2019, the threshold for cross-border transactions subject to price reviews by tax authorities will be lowered to RUR 60 million. Also, transactions between related entities in the domestic market with income exceeding RUR 1 billion, will be subject to price controls provided that controlled transaction parties apply different income tax rates, or if at least one entity applies a special tax regime, or is exempt from income tax, or is a participant in a regional investment project, or is subject to other criteria stipulated by law.

New requirements to documentation on multinational groups (MG) apply to annual reporting periods starting on 1 January 2017 with the option to file country reports for annual reporting periods starting on 1 January 2016. The new regulations require entities to prepare three levels of transfer pricing documentation (global, national and country reports) and notify authorities of participation in an MG. These rules apply to MGs with a consolidated revenue equal or in excess of RUR 50 billion for the financial year preceding the reporting period if the MG parent company is a tax resident of the Russian Federation or if the MG's consolidated revenue exceeds the threshold established by regulations governing the preparation of country reports in a foreign state, of which the MG's parent is the tax resident.

In 2018, the Company determined its tax obligations arising from controlled transactions based on their actual prices.

The Company is not subject to rules for submitting MNE documentation, the notification of participation in an MNE is submitted timely.

The federal executive body in charge of tax and levies oversight and control may review the prices/margins in controlled transactions; where it disagrees with prices applied by the Company in those transactions, it can impose additional tax liabilities unless the Company is able to confirm the arm's length pricing of the transactions by submitting qualifying transfer pricing documentation that meets local legislative requirements.

Current and potential claims against the Company

The Company is involved in litigations arising in connection with its business activity. Management did not accrue any provision for potential risks associated with an unfavorable outcome of the litigations for the Company as of 31 December 2018, 31 December 2017 and 31 December 2016 as the exposure was estimated as immaterial.

21. SUBSEQUENT EVENTS AFTER 31 DECEMBER 2018

The following event occurred after the reporting date which have had or may have an effect upon the financial position, cash flows or operating results of the Company and which occurred between the reporting date and the date of signing the financial statements for the reporting year.

Intragroup loan

In January 2019, the Company and Dr. Reddy's Laboratories SA signed an agreement extending the loan repayment period untill 17 January 2024.

Long-term financial investment

In January 2019, the Company and Euro Bridge Consulting B.V. signed a deal to acquire an interest in DRS LLC at an initial cost of kRUR 42,838.

Key management personnel

Sovetkin Dmitry Vladislavovich was appointed the Company's General Director starting from 9 January 2019.

22. BUSINESS RISKS

1. Potentially significant business risks inherent to the Company's activities

In the course of its business operations, the Company is affected by industry, legal and other internal and external factors (material conditions, events, circumstances, actions), giving rise to various risks that may have a material effect on the Company's financial position and financial performance.

The Company is mainly exposed to the following risks: financial risks (credit risk, liquidity risk and market risk), legal risks (risks arising from changes in tax legislation, transfer pricing risks, risks arising from changes in foreign customs regulations and duties), country and reputational risks.

2. Risk management mechanism

The Company's management oversees the management of the above risks in order to minimize potential adverse effects on the Company's financial position and financial performance. Information on risks analyzed is presented below:

3. Financial risks

3.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations. It is mainly related to the Company's trade accounts receivable.

Translation of the original Russian version

The maximum exposure to credit risk as of 31 December is the carrying amount of each type of assets:

Item	2018	2017	2016
Accounts receivable	8,159,219	8,117,470	7,423,843
Short-term financial investments	–	–	–
Cash and cash equivalents	104,254	62,005	22,200
Long-term financial investments	33,400	31,750	29,650
Total	**8,296,873**	**8,211,225**	**7,475,693**

Trade and other accounts receivable

The Company's exposure to credit risk mainly depends on the individual characteristics of each customer/client. However, management also considers the default risk of the industry and country, in which debtors operate, as these factors may have an impact on credit risk, particularly in the currently deteriorating economic circumstances. There is no credit risk concentration with regard to sales to one customer or geography.

Management has a credit policy in place to analyze each new customer for creditworthiness individually.

As of 31 December 2018, the Company recognized trade accounts receivable in the amount of kRUR 6,867,452, which included overdue accounts receivable totaling kRUR 332,248. As of 31 December 2018, the Company charged an allowance for impairment of trade and other accounts receivable in the amount of kRUR 215,663, which represents an estimated amount of credit losses already incurred. The Company took steps to settle its accounts receivable, in particular, it signed repayment schedules according to which overdue accounts receivable are expected to be repaid. Management assessed risks associated with the repayment of overdue accounts receivable and considering the fulfillment of liabilities and overall positive dynamics decided not to charge a provision for the remaining overdue accounts receivable in the amount of kRUR 116,585 that were not provided for.

The Company evaluates the concentration of risk with respect to trade accounts receivable as low, as its customers are located in several regions.

3.2 Liquidity risk

Liquidity risk is related to the Company's ability to settle in full and in due time its financial liabilities existing at the reporting date: trade payables and loans payable to lenders.

The Company's approach to managing liquidity is to ensure, 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 risking damage to the Company's reputation.

The Company assessed the concentration of its debt refinancing risk and concluded it to be low. At present, the Company believes that it has access to sufficient funding.

Contractual maturities for accounts payable: from three to six months after the reporting date.

The Company also uses loans from related parties with an option to extend.

3.3 Foreign currency risk

Starting 2011, to manage foreign currency risk the Company has concluded agreements in Russian rubles, rather than in foreign currency.

4. Other risks

4.1 Legal risks

Risks arising from changes in currency regulations

Domestic market

At present, the Company considers risks arising from possible changes in currency regulations as insignificant. Due to the policy of liberalizing currency regulations, risks arising from changes in currency legislation are mitigated.

Translation of the original Russian version

Foreign market

Legal risks arising from changes in currency regulations in the foreign market do not have any material effect on the Company's activities due to an insignificant volume of the Company's foreign operations.

Risks arising from changes in tax legislation

Domestic market

Russian tax legislation is subject to varying interpretations and changes occurring frequently. The Company closely monitors current changes in tax legislation with due consideration given to workshops and meetings with leading experts in this area.

Recent events within the Russian Federation suggest that the tax authorities may take a more assertive position in their interpretation of tax legislation and tax calculations. It is therefore possible that transactions and accounting methods that have not been challenged in the past may be challenged by the tax authorities. As a result, significant additional taxes, penalties and fines may be assessed. Tax audits may cover a period of three calendar years immediately preceding the audited year. Under certain circumstances, reviews may cover longer periods.

Foreign market

Legal risks arising from changes in tax legislation in the foreign market do not have any material effect on the Company's activities due to an insignificant volume of related operations.

Transfer pricing risk

The taxation system in the Russian Federation continues to develop and is characterized 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. Fiscal periods remain open to review by the tax authorities for three subsequent calendar years; however, under certain circumstances reviews may cover longer periods. Recent events within the Russian Federation suggest that the tax authorities may take a more assertive position in their interpretation of the legislation and assessments.

Transfer pricing legislation enacted from 1 January 2012 provides for major modifications which made transfer pricing rules closer to OECD guidelines, and also created additional uncertainty in practical application of tax legislation in certain circumstances. Currently, there is no practice of applying the transfer pricing rules by the tax authorities and courts. However, transactions subject to the transfer pricing rules are expected to be closely reviewed, and if the tax authorities take the position other than that of the Company's management, such reviews may result in the risk of assessing additional tax liabilities related to transactions within the reporting period.

These transfer pricing rules introduce an obligation for taxpayers to prepare transfer pricing documentation with respect to controlled transactions, and prescribe new basis and additional tax and interest assessment mechanisms in case prices in the controlled transactions differ from the current market level. The Company's management prepares the required transfer pricing documentation with respect to controlled transactions in due time to support their position concerning transfer pricing rules applied to controlled transactions.

Risks arising from changes in customs regulations and duties

Domestic market

A part of the Company's equipment is imported and/or produced using foreign-made components. Changes in customs regulations and duties may expose the Company to risks arising from an increase in the value of purchased fixed assets and longer delivery times for the required equipment and/or spare parts, which, in turn, may lead to increased costs for the Company and an increased probability of network technology infrastructure failures.

Foreign market

Legal risks arising from changes in customs regulations and duties in the foreign market do not have any material effect on the Company's activities due to an insignificant volume of the Company's foreign operations.

Translation of the original Russian version

4.2. Country and regional risks

The Company operates mainly in the Central Federal District of Russia, which is characterized by risks arising from the country's overall political and economic environment.

The future stability of the Russian economy is largely dependent upon economic reforms, development of the legal, tax and regulatory frameworks, and the effectiveness of financial and monetary measures undertaken by the government of the Russian Federation.

While the current political situation in the country is relatively stable, the fall in crude oil prices, significant devaluation of the Russian ruble and sanctions imposed on Russia by several countries have had an adverse impact on the Russian economy.

While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting refinancing of foreign debt for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Company and its counterparties, which could affect the Company's financial position, results of operations and business prospects. Capital markets instability may result in significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia.

Altogether, the Company cannot have any significant impact on the country's overall economic conditions. However, in case the changes in the country or the region of the Russian Federation where the Company operates have an adverse effect, the Company will make every effort to mitigate the negative implications on the Company's financial position and financial performance.

The risks of military conflict, state of emergency and strikes in the country or the region where the Company operates are assessed as low and thus are unlikely to have a significant effect on the Company's activities. In order to prevent strikes, the Company ensures favorable working conditions and fulfills all of its obligations to employees. In order to mitigate the risk of a terrorist attack, the Company has taken additional safety and security measures at its facilities.

The Company estimates the risks associated with the geographical peculiarities of the region where it operates, including an increased threat of natural calamities, possible transportation cuts due to remoteness and inaccessibility, as insignificant.

4.3 Reputational risks

The Company's management believes that currently there are no facts that could have a significant negative impact on the loss of the Company's customers (clients) resulting from deterioration of the public opinion related to the quality of its goods (work, services) produced and sold, timelines of supplying goods, performing work (services) and the Company's price fixing practices. Accordingly, the Company estimates reputational risks as insignificant.

23. IMPLEMENTATION OF DECISIONS BASED ON PREVIOUS YEAR RECOMMENDATIONS

Following the analysis of the financial statements for 2017, the Company decided not to pay any dividends for the year, to retain and use the profit generated by the Company for growth purposes, and not to accrue any reserves.

Director _____ _____

(signature) (printed name)

27 March 2019

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 2019, 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 2019;

(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: 15 May 2019

OOO DRS LLC Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	205,758	205,866
Capital work-in-progress		6,815	6,815
		212,573	**212,681**
Current assets			
Financial assets			
Cash and cash equivalents	2.2	344	542
Other current assets	2.3	96	11,701
		440	**12,243**
Total assets		**213,013**	**224,924**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.4	29,520	29,520
Other equity		74,943	85,047
		104,463	**114,567**
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	2.5 A	81,871	82,006
		81,871	**82,006**
Current liabilities			
Financial Liabilities			
Other financial liabilities	2.5 B	26,582	28,202
Other current liabilities	2.6	97	149
		26,679	**28,351**
Total equity and liabilities		**213,013**	**224,924**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **OOO DRS LLC Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

Anna Kuzmina
Director

Place: Hyderabad
Date: 15 May 2019

OOO DRS LLC Limited

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Income			
Other income	2.7	5,633	1,347
Total income		**5,633**	**1,347**
Expenses			
Depreciation expense	2.8	101	116
Finance costs	2.9	2,814	2,796
Selling and other expenses	2.10	12,822	1,975
Total expenses		**15,737**	**4,887**
Loss before tax		**(10,104)**	**(3,540)**
Tax expense			
Current tax		-	-
Deferred tax		-	-
Loss for the year		**(10,104)**	**(3,540)**
Other comprehensive income (OCI)		**-**	**-**
Total comprehensive loss for the year		**(10,104)**	**(3,540)**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **OOO DRS LLC Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

Anna Kuzmina
Director

Place: Hyderabad
Date: 15 May 2019

OOO DRS LLC Limited

Statement of Changes in Equity

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

Particulars	Equity share capital	Other components of equity		Total equity
		Reserves and surplus		
		Securities premium	Retained earnings	
Balance as at 1 April 2018	**29,520**	**122,532**	**(37,485)**	**114,567**
Loss for the year	-	-	(10,104)	(10,104)
Balance as at 31 March 2019	**29,520**	**122,532**	**(47,589)**	**104,463**

Particulars	Equity share capital	Other components of equity		Total equity
		Reserves and surplus		
		Securities premium	Retained earnings	
Balance as at 1 April 2017	**29,520**	**122,532**	**(33,945)**	**118,107**
Loss for the year	-	-	(3,540)	(3,540)
Balance as at 31 March 2018	**29,520**	**122,532**	**(37,485)**	**114,567**

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.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

Anna Kuzmina
Director

Place: Hyderabad
Date: 15 May 2019

OOO DRS LLC Limited

Statement of Cash Flow

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

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Cash flows from / (used in) operating activities		
Loss before tax	**(10,104)**	**(3,540)**
Adjustments:		
Depreciation and amortisation expense	101	116
Foreign exchange loss / (gain), net	(5,693)	(1,339)
Finance costs	2,814	2,796
Allowances for doubtful advances, net	11,001	-
Changes in operating assets and liabilities:		
Other assets and liabilities, net	(90)	(504)
Cash generated from operations	**(1,971)**	**(2,471)**
Income tax paid, net	-	-
Net cash from / (used in) operating activities	**(1,971)**	**(2,471)**
Cash flows from / (used in) investing activities		
Net cash used in investing activities	**-**	**-**
Cash flows from / (used in) financing activities		
Proceeds from long-term loans and borrowings, net	1,799	2,394
Net cash from / (used in) financing activities	**1,799**	**2,394**
Net increase / (decrease) in cash and cash equivalents	(172)	(77)
Effect of exchange rate changes on cash and cash equivalents	(26)	(7)
Cash and cash equivalents at the beginning of the year (Refer note 2.2)	542	626
Cash and cash equivalents at the end of the year (Refer note 2.2)	**344**	**542**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **OOO DRS LLC Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

Anna Kuzmina
Director

Place: Hyderabad
Date: 15 May 2019

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

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
OOO DRS LLC Limited (" the Company") incorporated in Russia , is a 100% subsidiary of OOO Dr. Reddy's Laboratories Limited.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 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.

1.4 Significant accounting policies

a) Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
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 assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

b) 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.

c) Revenue
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes 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
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. 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.

d) 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.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

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

Note 1 Description of the Company and significant accounting policies (continued)

e) 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.

f) 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. General and specific 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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. Land is not depreciated.

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 and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

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

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. 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.

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 realisable 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 realisable 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.

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

Note 1 Description of the Company and significant accounting policies (continued)

h) Employee benefits
Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

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

j) 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 Companny commits to purchase or sell the asset.
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.
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 and derivative financial instruments

k) 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.

l) Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

m) Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

OOO DRS LLC Limited

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

Note 2 Notes to the financial statements

2.1 Property, plant and equipment

Particulars	Gross carrying value				Accumulated depreciation				Net carrying value
	As at 1 April 2018	Additions	Disposals	As at 31 March 2019	As at 1 April 2018	For the year	Disposals	As at 31 March 2019	As at 31 March 2019
Land	205,449	-	-	205,449	-	-	-	-	205,449
Buildings	3,822	-	-	3,822	3,412	101	-	3,513	309
Total	**209,271**	**-**	**-**	**209,271**	**3,412**	**101**	**-**	**3,513**	**205,758**
Previous Year	209,271	-	-	209,271	3,289	116	-	3,405	205,866

OOO DRS LLC Limited

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

Note 2 Notes to the financial statements (continued)

2.2 Cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018
Balances with banks:		
- In current accounts	344	542
	344	**542**

2.3 Other current assets

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good		
Balances with statutory authorities	96	161
Other advances	11,003	11,540
Less: Allowance for doubtful advances	(11,003)	-
	96	**11,701**

2.4 Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised share capital		
RUB 18,420,000 (31 March 2018: RUB 18,420,000)*	29,520	29,520
Issued equity capital		
RUB 18,420,000 (31 March 2018: RUB 18,420,000)*	29,520	29,520
Subscribed and fully paid-up		
RUB 18,420,000 (31 March 2018: RUB 18,420,000)*	29,520	29,520
	29,520	**29,520**

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

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	Amount in RUB ('000)	% holding in the class	Amount in RUB ('000)	% holding in the class
OOO Dr. Reddy's Laboratories Limited	18,420	100.00	-	-
Euro Bridge Consulting B.V.	-	-	18,420	100.00

2.5 Financial Liabilities

2.5 A. Non-current borrowings

	As at 31 March 2019	As at 31 March 2018
Unsecured		
Long-term loans from related parties	81,871	82,006
	81,871	**82,006**

2.5 B. Other current financial liabilities

	As at 31 March 2019	As at 31 March 2018
Others	26,582	28,202
	26,582	**28,202**

2.6 Other current liabilities

	As at 31 March 2019	As at 31 March 2018
Due to statutory authorities	97	149
	97	**149**

OOO DRS LLC Limited

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

Note 2 Notes to the financial statements (continued)

2.7 Other income

	For the year ended 31 March 2019	For the year ended 31 March 2018
Foreign exchange gain, net	5,633	1,347
	5,633	**1,347**

2.8 Depreciation expense

	For the year ended 31 March 2019	For the year ended 31 March 2018
Depreciation of property, plant and equipment	101	116
	101	**116**

2.9 Finance costs

	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest on long-term borrowings	2,814	2,796
	2,814	**2,796**

2.10 Selling and other expenses

	For the year ended 31 March 2019	For the year ended 31 March 2018
Legal and professional	664	718
Rates and taxes	1,153	1,254
Allowances for doubtful advances, net	11,001	-
Other general expenses	4	3
	12,822	**1,975**

2.11 Going Concern

The accounts have been prepared on Going Concern basis.

2.12 Related parties

a) The following is a summary of related party transactions

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest expense to holding company or other group companies:		
OOO Dr. Reddys's Laboratories Limited	2,814	2,796

b) The Company had the following amounts due from / to related parties

Particulars	As at 31 March 2019	As at 31 March 2018
Due to holding company and other group companies(included in non-current borrowings):		
OOO Dr. Reddys's Laboratories Limited	60,806	59,656
Reddy Antilles N.V.	21,065	22,350

2.13 Income taxes

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.

2.14 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.

OOO DRS LLC Limited

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

Note 2 Notes to the financial statements (continued)

2.15 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **OOO DRS LLC Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

Anna Kuzmina
Director

Place: Hyderabad
Date: 15 May 2019

Building a better working world

Ernst & Young Associates LLP
Oval Office, 18, iLabs Centre
Hitech City, Madhapur
Hyderabad-500 081
India

Tel: +91 40 6736 2000
Fax: +91 40 6736 2200
ey.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dr. Reddy's Laboratories Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Promius Pharma LLC (the Company), which comprise the statement of financial position as at March 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of 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 March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs)

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 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 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 IFRSs, 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.

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

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 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,

Building a better working world

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 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.

- 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 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

Ernst + Young Associates LLP

Ernst & Young Associates LLP

Oval office, 18, iLabs Centre,
Madhapur, Hyderabad 500 081,
India

Date: 16 May 2019

Building a better working world

Ernst & Young Associates LLP
Oval Office, 18, iLabs Centre
Hitech City, Madhapur
Hyderabad-500 081
India

Tel: +91 40 6736 2000
Fax: +91 40 6736 2200
ey.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dr. Reddy's Laboratories Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Promius Pharma LLC (the Company), which comprise the statement of financial position as at March 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of 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 March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs)

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 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 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 IFRSs, 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.

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.

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 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,

EY
Building a better working world

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 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.

- 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 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.

Ernst & Young Associates LLP

Ernst & Young Associates LLP

Oval office, 18, iLabs Centre,
Madhapur, Hyderabad 500 081,
India

Date, 16 May 2019

PROMIUS PHARMA LLC

Financial Statements

March 31, 2019 and March 31, 2018

PROMIUS PHARMA LLC
Financial Statements
March 31, 2019 and March 31, 2018

Table of Contents **Page**

Statement of financial position	3
Income Statement and other comprehensive income	4 - 5
Statement of changes in equity	6
Statement of cash flows	7
Notes to financial statements	8 - 33

PROMIUS PHARMA 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, 2019**	**March 31, 2018**
ASSETS			
Current assets			
Cash and cash equivalents	10	82,911	303,266
Trade and other receivables	8	49,485,217	9,072,558
Inventories	7	4,458,064	1,382,382
Tax assets		22,048	21,998
Other current assets	9	66,009,204	63,466,372
Total current assets		**120,057,444**	**74,246,576**
Non-current assets			
Property, plant and equipment	5	12,067	57,083
Other intangible assets	6	-	5,547,210
Deferred tax assets	20	1,387,928	5,913,393
Other non-current assets	9	1,384,544	1,900,000
Total non-current assets		**2,784,539**	**13,417,686**
Total assets		**122,841,983**	**87,664,262**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	4,668,297	2,038,924
Loans and Borrowings	19	30,000,000	182,461,093
Provisions	12	6,103,067	5,450,335
Other current liabilities	14	17,031,156	12,322,794
Total current liabilities		**57,802,520**	**202,273,146**
Total liabilities		**57,802,520**	**202,273,146**
Equity			
Share capital	11	215,101,645	38,760,000
Other components of equity		(150,946,508)	(154,105,112)
Share based payment reserve		884,326	736,228
Total equity		**65,039,463**	**(114,608,884)**
Total liabilities and equity		**122,841,983**	**87,664,262**

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, 2019	For the year ended March 31, 2018
Revenue	17	62,597,521	61,546,157
Cost of revenues		7,487,846	6,446,611
Gross profit		**55,109,675**	**55,099,546**
Selling, general and administrative expenses		58,910,731	62,406,119
Research and development expenses		2,159,630	4,191,041
Other (income)/expense, net	15	(15,084,207)	(302,731)
Total operating expenses		**45,986,154**	**66,294,429**
Results from operating activities		**9,123,521**	**(11,194,883)**
Finance (income)/ expense	16	**462,181**	**460,035**
Profit/(Loss) before tax		**8,661,340**	**(11,654,918)**
Tax expense / (benefit)	20	**5,502,736**	**(26,564,728)**
Profit for the year		**3,158,604**	**14,909,810**

The accompanying notes are an integral part of 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, 2019	For the year ended March 31, 2018
Profit for the year	**3,158,604**	**14,909,810**
Other comprehensive income		
Items that will not be reclassified to Income Statement	**-**	**-**
Total items that will not be reclassified to Income statement	**-**	**-**
Items to be reclassified subsequently to Income statement:		
Total items that to be reclassified subsequently to Income statement	**-**	**-**
Other comprehensive (loss) / profit for the year, net of income tax	**-**	**-**
Total comprehensive income for the year	**3,158,604**	**14,909,810**

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, 2017 (A)	**38,760,000**	**597,970**	**(169,014,922)**	**(129,656,952)**
Total Comprehensive income				
Profit for the period	-	-	14,909,810	14,909,810
Foreign currency translation adjustments	-	-	-	-
Total Comprehensive income (B)	**-**	**-**	**14,909,810**	**14,909,810**
Transactions with owners of the Company				
Contributions and distributions				
Share based payment expense - (Refer Note 21)	-	138,258	-	138,258
Total contributions and distributions	**-**	**138,258**	**-**	**138,258**
Total transactions with owners of the Company (C)	-	138,258	-	138,258
Balance as of March 31,2018 [(A)+(B)+(C)]	**38,760,000**	**736,228**	**(154,105,112)**	**(114,608,884)**
Balance as of April 01, 2018 (A)	**38,760,000**	**736,228**	**(154,105,112)**	**(114,608,884)**
Total Comprehensive income				
Profit for the period	-	-	3,158,604	3,158,604
Foreign currency translation adjustments	-	-	-	-
Total Comprehensive income (B)	**-**	**-**	**3,158,604**	**3,158,604**
Transactions with owners of the Company				
Contributions and distributions				
Issuance of additional paid in capital - (Refer Note 11)	176,341,645			176,341,645
Share based payment expense - (Refer Note 21)	-	148,098	-	148,098
Total contributions and distributions	**176,341,645**	**148,098**	**-**	**176,489,743**
Total transactions with owners of the Company (C)	176,341,645	148,098	-	176,489,743
Balance as of March 31,2019 [(A)+(B)+(C)]	**215,101,645**	**884,326**	**(150,946,508)**	**65,039,463**

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, 2019	**March 31, 2018**
Cash flows from/(used in) operating activities:		
Profit for the year	3,158,604	14,909,810
Adjustments for:		
Tax expense / (benefit)	5,502,736	(26,564,728)
Depreciation and amortization	1,586,625	5,280,550
Profit on sale of other intangible assets	(9,588,500)	-
Inventory write down	224,384	265,803
Allowances for sale returns	2,851,947	2,504,595
Interest expense	470,721	451,176
Share based payment expense	148,098	138,258
Changes in operating assets and liabilities:		
Trade and other receivables	(40,412,659)	5,433
Inventories	(3,300,066)	(1,153,429)
Trade and other payables	2,643,265	(9,527,490)
Other assets and other liabilities	(966,269)	1,186,703
Net cash used in operating activities	**(37,681,114)**	**(12,503,319)**
Cash flows from/(used in) investing activities:		
Purchase of on property, plant and equipment	(13,892)	(40,312)
Sale of other intangible assets	13,594,099	-
Net cash from/(used in) investing activities	**13,580,207**	**(40,312)**
Cash flows from financing activities:		
Proceeds from loans and borrowings from related parties, net	23,880,552	12,759,171
Net cash from financing activities	**23,880,552**	**12,759,171**
Net increase in cash and cash equivalents	**(220,355)**	**215,540**
Cash and cash equivalents at the beginning of the year	303,266	87,726
Cash and cash equivalents at the end of the year	**82,911**	**303,266**

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

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 Company 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 portfolio contains innovative products for the treatment of seborrheic dermatitis, acne and steroid responsive dermatoses, migraine.

2. Basis of preparation of financial statements

a. Statement of compliance

These financial statements as at and for the year ended March 31, 2019 have been prepared in accordance with the International Financial Reporting Standards and its interpretations ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared for the Company as a going concern on the basis of relevant IFRS that are effective or elected for early adoption at the Company's annual reporting date, March 31, 2019. These financial statements were authorized for issuance by the Company's Board of Directors on May 16, 2019.

b. Basis of measurement

These financial statements have been prepared on the historical cost convention and on an accrual basis except for the following material items in the statement of financial position:
• derivative financial instruments are measured at fair value;
• certain financial assets are measured either at fair value or at amortized cost depending on the classification; and,
• share-based payments are measured at fair value.

c. Functional 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).

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 recognsied 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 recognsied in the financial statements is included in the following notes:

- Note 2 (e) — Going concern
- Note 2 (c) — Assessment of functional currency for foreign operations;
- Note 3(b) and 22 — Financial instruments;
- Note 3(e) & 3(f) — Useful lives of property, plant and equipment and intangible assets;
- Note 3(h) — Valuation of inventories;
- 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;

e. Going Concern

The Company's financial statement for the year ended March 31, 2019 and March 31, 2018 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, 2019 and 2018 the Company had working capital surplus/(deficit) of USD 62,254,925 and USD (128,026,570) respectively. The Company had a profit of USD 3,158,604 and USD 14,909,810 and had negative cash flow from operations of USD 37,681,114 and USD 12,503,319 for the year ended March 31 2019 and March 31, 2018 respectively. Dr. Reddy's Laboratories Inc. (the 'Holding Company') has undertaken to provide such financial support as necessary, to enable the Company to meet the operational requirements as they arise and to meet it's liabilities as and when they fall due. The Management expects that there will be significant increase in the operations of the Company that will lead to improved cash flow and long term sustainability. Refer note 11 for the conversion of borrowing to equity.

Based on these factors, inspite of the negative cash flows from operations in the Company, the financial statements are prepared with going concern assumption.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

3. Significant accounting policies
New Standards 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 "expected loss" impairment model. The Company applied the modified retrospective method upon adoption of IFRS 9 on April 1, 2018. This method requires the recognition of the cumulative effect of initially applying IFRS 9 to retained earnings and not to restate prior years. The cumulative effect recorded at April 1, 2018 was a decrease to retained earnings of USD Nil.

Impairment of trade receivables
In accordance with IFRS 9, the Company has implemented the expected credit loss ("ECL") model for measurement and recognition of impairment loss on its trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15.

The Company follows a "simplified approach" which does not require the Company to track changes in credit risk but rather recognize impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For this purpose, the Company designed a provision matrix to determine impairment loss allowance on the 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 analyzed.

IFRS 15, Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". This comprehensive new standard supersedes IAS 18, "Revenue", IAS 11, "Construction contracts" and related interpretations. The new standard amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

We adopted IFRS 15 effective as of April 1, 2018. The impacts of the adoption of the new standard are summarized below:
The Company's revenue is derived from sales of goods and service income.
Sale of goods
Revenue from sales of goods is comprised of sale of branded products. Revenue from sale of goods is recognsied where control is transferred to the Company's customers at the time of shipment to or receipt of goods by the customers. There was no change in the point of recognition of revenue upon adoption of IFRS 15

Service income
Service income, which primarily relates to revenue from contract research, is recognsied as and when the underlying services are performed. There was no change in the point of recognition of revenue upon adoption of IFRS 15. Upfront non refundable payments received under these arrangements continue to be deferred and are recognsied over the expected period that related services are to be performed.

Profit share revenues and milestone payments
Revenues from sales of goods also include revenues from profit sharing arrangements with business partners for sales of the Company's products in certain markets. Furthermore, the Company receives milestone payments related to out-licensing of the intellectual property. Under IFRS 15, the profit share amount is recognsied only to the extent that it is highly probable that a significant reversal in the amount of profit share will not occur when the uncertainty associated with the profit share is subsequently resolved. The adoption of IFRS 15 did not significantly change the timing or amount of revenue recognsied under these arrangements.

The Company applied the modified retrospective method upon adoption of IFRS 15 on April 1, 2018. This method requires the recognition of the cumulative effect of initially applying IFRS 15 to retained earnings and not to restate prior years.
Overall, the application of this standard did not have a material impact on the revenue streams from the sale of goods, service income, license fees, profit share revenues and milestone payments, and associated rebates and sales returns provision.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Summary of significant accounting policies

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. 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 recognsied 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.

b. 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.

Accounting policies relating to financial instruments after March 31, 2018 are as follows:

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.

Trade receivables are recognsied initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognsied at fair value. The Company's trade receivables do not contain any significant financing component and hence are measured at the transaction price measured under IFRS 15.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

• Debt instruments at amortized cost;
• Debt instruments at fair value through other comprehensive income (FVTOCI); and
• Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL).

Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:
a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the income statement. The losses arising from impairment are recognised in the income statement. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:
a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
b) The asset's contractual cash flows represent SPPI.
Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the income statement. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the income statement. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortized cost or as FVTOCI, is classified as at FVTPL. In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.
Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the income statement.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's financial position) when:

• The rights to receive cash flows from the asset have expired; or
• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of trade receivables and other financial assets

In accordance with IFRS 9, 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 IFRS 15.

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 forward looking estimates are analysed.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

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, 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.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

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 income statement.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to the income statement. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the income statement. The Company has not designated any financial liability as fair value through profit and loss.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortization process.
Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement.

Derecognition
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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

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 original maturities of three months or less from the date of investment. Bank overdrafts that are repayable on demand 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.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Accounting policies relating to financial instruments for the periods ending on or prior to March 31, 2018 are as follows:

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in mutual funds, bonds, equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables and certain other assets and liabilities.Non-derivative financial instruments are recognsied 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, 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 original maturities of three months or less from the date of investment. Bank overdrafts that are repayable on demand 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

Held-to-maturity investments consist of investments in bonds with fixed or determinable payments and fixed maturity that the Company has the positive intention and the ability to hold to maturity. Such investments are initially measured at fair value, with subsequent measurements made at amortized cost using the effective interest rate method.

Other investments

Other investments consist of term deposits with original maturities of more than three months, and investments in mutual funds and equity securities. Investments in mutual funds and equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognsied in OCI and presented within equity under “fair value reserve”. When an investment is derecognsied, the cumulative gain or loss in equity is transferred to the income statement.

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. After initial recognition, trade payables are recognsied at amortized cost using the effective interest rate method.

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. After initial recognition, trade receivables are recognsied at amortized cost using the effective interest rate method.

Debt instruments and other financial liabilities

The Company initially recognizes debt instruments issued on the date that they originate. All other financial liabilities are recognsied initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. These are recognsied initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other non-derivative financial instruments

Other non-derivative financial instruments are initially recognsied at fair value. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method, less any impairment losses.

De-recognition of financial assets and liabilities

The Company derecognizes a financial asset when the contractual right to the cash flows from that asset expires, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing, at amortized cost, for the proceeds received The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the derecognsied financial liability and the consideration paid is recognsied as profit or loss in the income statement.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

c. Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in the normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

d. Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognsied as a deduction from equity, net of any tax effects.

e. 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 recognsied net within “other (income/expense, net)” in income statement.

The cost of replacing part of an item of property, plant and equipment is recognsied 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 recognsied in income statement as incurred.

Depreciation
Depreciation is recognsied 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:

Furniture, fixtures and office equipment	4 - 10 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.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

f. Intangible assets

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 recognsied 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 recognsied in the income statement as incurred. As of March 31, 2019, none of the development expenditure amounts has met the aforesaid recognition criteria.

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).

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 recognsied immediately in the income statement.

Subsequent expenditure

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, is recognsied in the income statement as incurred.

Amortization

Amortization is recognsied 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 - 8 years
Other intangibles	3 - 5 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-recognsied 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.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

g. 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 recognsied 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 recognsied on the Company's statements of financial position. Payments made under operating leases are recognsied in income statement on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

h. Inventories

Inventories consist of 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 which are 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.

i. Provisions

A provision is recognsied 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 recognsied as a finance cost.

Restructuring

A provision for restructuring is recognsied 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 recognsied 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.

Contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognsied in the financial statements. However, contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognsied in the period in which the change occurs.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

j. Revenue

The Company's revenue is derived from sales of goods, service income and income from licensing arrangements.

Accounting policies relating to revenue for the periods after March 31, 2018 are as follows:

Sale of goods

Revenue is recognsied when the control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either on shipment or on receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product.

Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

In arriving at the transaction price, the Company considers the terms of the contract with the customers and its customary business practices. The transaction price is the amount of consideration the Company is entitled to receive in exchange for transferring promised goods or services, excluding amounts collected on behalf of third parties. The amount of consideration varies because of estimated rebates, returns and chargebacks, which are considered to be key estimates. Any amount of variable consideration is recognsied as revenue only to the extent that it is highly probable that a significant reversal will not occur. The Company estimates the amount of variable consideration using the expected value method.

License fees

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognsied when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognsied in the period in which the Company completes all its performance obligations.

Profit share revenues and milestone payments

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 recognsied in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognsied as revenue only to the extent that it is highly probable that a significant reversal will not occur.

At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Out licensing arrangements, milestone payments and royalties

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. In cases where the transaction has two or more components, the Company accounts for the delivered item (for example, the transfer of title to the intangible asset) as a separate unit of accounting and record revenue upon delivery of that component, provided that the Company can make a reasonable estimate of the fair value of the undelivered component. Otherwise, non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognsied over the period in which the Company has pending performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognsied as revenues either on achievement of such milestones, over the performance period depending on the terms of the contract. 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.

Royalty income earned through a license is recognsied when the underlying sales have occurred.

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.

Sales Returns

The Company accounts for sales returns accrual by recording refund liability concurrent with the recognition of revenue at the time of a product sale. This liability 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 recognsied in the income statement as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognsied as revenue over the expected period over which the related services are expected to be performed.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Accounting policies relating to revenue for pthe periods ending on or prior to March 31, 2018 are as follows:

Sale of goods

Revenue is recognsied 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 recognsied in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognsied 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 recognsied 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 recognsied over the period in which the Company has continuing performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognsied 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.

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 inategories where established products exist and are sold either by the Company or the Company's competitorsyalty payments,

Services

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

k. Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

l. Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognsied in the income statement except to the extent that it relates to items recognsied directly in equity, in which case it is recognsied 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 recognsied 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 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.

A deferred tax asset is recognsied 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.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

m. Share-based payment transactions

Equity settled share-based payment transactions

The grant date fair value of options granted to employees is recognsied as an employee expense in the income statement, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognsied as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognsied is based on the number of awards that meet the related service and performance conditions at the vesting date. 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 recognsied in connection with share-based payment transaction is presented as a separate component in equity under "share-based payment reserve". The amount recognsied as an expense is adjusted to reflect the actual number of stock options that vest.

Cash settled share-based payment transactions

The fair value of the amount payable to employees in respect of share-based payment transactions which are settled in cash is recognsied as an expense, with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at the settlement date based on the fair value of the share-based payment transaction. Any changes in the liability are recognsied in the income statement.

n. Impairment

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 generate 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 recognsied 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 recognsied 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 recognsied 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 if there has been a change in the estimates used to determine the recoverable amount. 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 recognsied. Goodwill that forms part of the carrying amount of an investment in an associate is not recognsied 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 recognsied in the income statement, and reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

o. Finance income and expense

Finance income consists of dividend income and gains on the disposal of financial assets. Interest income is recognsied in the income statement as it accrues, using the effective interest method. Dividend income is recognsied in the income 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 recognsied in the income 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 the 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.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

p. Recent accounting pronouncements
Standards issued but not yet effective and not early adopted by the Company

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 annual reporting 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.

Upon adoption, a portion of the annual operating lease expense, which is currently fully recognsied as functional expense, will be recognsied as finance expense. Further, a portion of the annual lease payments recognsied in the cash flow statement as reduction of lease liability will be recognsied as outflow from financing activities, which are currently fully recognsied as an outflow from operating activities.
The Company is in the process of evaluating the impact 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.
The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. An entity can, on initial application, elect to apply this interpretation either:
• retrospectively applying IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", if possible without the use of hindsight; or
• retrospectively, with the cumulative effect of initially applying the interpretation recognsied at the date of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate).
The Company is in the process of evaluating the impact of IFRIC 23 on the financial statements.

4(a). 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) Intangible assets
The fair value of brands, technology related intangibles, and patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of these brands, technology related intangibles, patents or trademarks being owned (the "relief of royalty method"). The fair value of customer related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method. Under this method, value is estimated as the present value of the benefits anticipated from ownership of the intangible assets in excess of the returns required or the investment in the contributory assets necessary to realize those benefits.

(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 model. 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).

4(b). Capital management
For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages it's capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt.
The capital gearing ratio as on 31 March 2019 and 31 March 2018 was 32% and 269%, respectively.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

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, 2017	3,613	355,136	69,741	**428,490**
Additions	-	3,343	-	**3,343**
Disposals	-	-	-	-
Balance as at March 31, 2018	**3,613**	**358,479**	**69,741**	**431,833**
Balance as at April 1, 2018	3,613	358,479	69,741	431,833
Additions	-	54,202	-	**54,202**
Disposals	-	-	-	-
Balance as at March 31, 2019	**3,613**	**412,681**	**69,741**	**486,035**
Accumulated Depreciation				
Balance as at April 1, 2017	3,613	355,136	69,741	**428,490**
Depreciation during the year	-	464	-	**464**
Disposals	-	-	-	-
Balance as at March 31, 2018	**3,613**	**355,600**	**69,741**	**428,954**
Balance as at April 1, 2018	3,613	355,600	69,741	428,954
Depreciation during the year	-	45,014	-	**45,014**
Disposals	-	-	-	-
Balance as at March 31, 2019	**3,613**	**400,614**	**69,741**	**473,968**
Net Carrying Value				
As at April 01, 2017	-	-	-	-
Add:-Capital Work in Progress				**3,343**
Total at April 01, 2017				**3,343**
As at March 31, 2018	-	**2,879**	-	**2,879**
Add:-Capital Work in Progress				**54,204**
Total at March 31, 2018				**57,083**
As at March 31, 2019	-	**12,067**	-	**12,067**
Add:-Capital Work in Progress				-
Total at March 31, 2019				**12,067**

Capital commitment: As of March 31, 2019 and 2018 the company had capital commitments of USD Nil and USD Nil respectively.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

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, 2017	153,450	45,097,247	45,250,697
Additions	-	-	-
De–recognitions*	-	-	-
Balance as at March 31, 2018	**153,450**	**45,097,247**	**45,250,697**
Balance as at April 1, 2018	153,450	45,097,247	45,250,697
Additions	-	-	-
De–recognitions*	-	(45,097,247)	(45,097,247)
Balance as at March 31, 2019	**153,450**	**-**	**153,450**
Amortization			
Balance as at April 1, 2017	153,450	34,269,951	34,423,401
amortization during the period	-	5,280,086	5,280,086
De–recognitions*	-	-	-
Balance as at March 31, 2018	**153,450**	**39,550,037**	**39,703,487**
Balance as at April 1, 2018	153,450	39,550,037	39,703,487
amortization during the period	-	1,541,611	1,541,611
De–recognitions*	-	(41,091,648)	(41,091,648)
Balance as at March 31, 2019	**153,450**	**-**	**153,450**
Net carrying amount			
As at April 01, 2017	**-**	**10,827,296**	**10,827,296**
As at March 31, 2018	**-**	**5,547,210**	**5,547,210**
As at March 31, 2019	**-**	**-**	**-**

*During the year, the Company has entered into agreement for sale to four of its dermatology brands viz., Sernivo® (betamethasone dipropionate) Spray, 0.05%, Promiseb® Topical Cream, Trianex® 0.05% (Triamcinolone Acetonide Ointment, USP) and Cloderm® (clocortolone pivalate 0.1%) for the total consideration of USD 13,594,099.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

7. Inventories

Inventories consist of the following:

	As of	
	March 31, 2019	**March 31, 2018**
Finished goods	4,458,064	1,382,382
Total Inventories	**4,458,064**	**1,382,382**

During the years ended March 31, 2019 and 2018, the Company recorded inventory write-downs of USD 224,384 and USD 265,803 respectively. These adjustments are included as part of cost of revenues in the income statement.

Cost of revenues for the years ended March 31, 2019 and 2018 includes raw materials, consumables and changes in finished goods and work in progress recognsied in the income statement USD 6,574,745 and USD 5,999,978 respectively. Cost of Revenues for the years ended March 31, 2019 and 2018, includes other expenditures recognsied in the income statement of USD 913,101 and USD 446,633 respectively.

8. Trade and Other receivables

	As of	
	March 31, 2019	**March 31, 2018**
Trade and other receivables, net of chargebacks and rebates	49,485,217	9,072,558
Less: Allowance for credit losses	-	-
Trade and other receivables, net	**49,485,217**	**9,072,558**

In accordance with IFRS 9, the Company has implemented the expected credit loss (“ECL”) model for measurement and recognition of impairment loss on its trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15. For this purpose, the Company uses a provision matrix to compute the expected credit loss amount for trade receivables. The provision matrix takes into account external and internal credit risk factors and historical data of credit losses from various customers. Before adoption of IFRS 9, the Company used to maintain an allowance for impairment of doubtful accounts based on the financial condition of the customer,aging of the customer accounts receivable and historical experience of collections from customers.

9. Other Assets

Other assets consist of the following:

	As of	
	March 31, 2019	**March 31, 2018**
Current		
Due from related parties*	62,000,352	61,331,528
Prepaid expenses	333,131	443,384
Other assets	3,675,721	1,691,460
Total Current Assets	**66,009,204**	**63,466,372**

* Refer note 19

Non-current		
Deposits and other assets – non current	1,384,544	1,900,000
Total Non-current Assets	**1,384,544**	**1,900,000**

10. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of	
	March 31, 2019	**March 31, 2018**
Current		
Balances with banks	82,911	303,266
Cash and cash equivalents in the statement of cash flow	**82,911**	**303,266**

11. Share Capital

	As of	
	March 31, 2019	**March 31, 2018**
Fully paid up capital	**38,760,000**	**215,101,645**
As at April 01	38,760,000	38,760,000
Add: Additional paid up share capital	176,341,645	-
As at March 31	**215,101,645**	**38,760,000**

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.

In the event of liquidation of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company shall be distributed to the holders of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date.

As at March 31, 2018, the Company borrowed a total of USD 176,341,645 from its parent company, Dr. Reddy's Laboratories Inc., towards working capital requirements. During the year ended March 31, 2019, there has been a change in the business model of the Company and as part of the change in the business model, the Company sold most of its revenue generating products such as Cloderm®, Priomiseb, Tainex, Sernivo. Consequently, the Company believes that the amount borrowed from the parent company could not be repaid and accordingly, entered into an agreement with the parent company for legal discharge of the obligation. After obtaining the legal discharge of the obligation, the Company believes that it is more appropriate to recognise the transaction as a transaction with equity shareholders. Hence, the Company recognised the write-back of the liability as an additional-paid-in-capital by the parent company.

12. Provisions

Provisions consist of the following:

	As of	
	March 31, 2019	**March 31, 2018**
Refund liability	6,103,067	5,450,335
Total provisions	**6,103,067**	**5,450,335**

The details of changes in provisions during the year ended March 31 2019 are as follows:

Particulars	**Refund liability**
Balance as at April 01	(5,450,335)
Provision made during the year	2,851,947
Credits and payments during the year	2,199,215
Balance as at March 31	**(6,103,067)**

Refund liability is accounted for by recording a provision based on the Company's estimate of expected sales returns. See Note 3(j) for the Company's accounting policy on sales returns.

13. Trade and other payables

Trade and other payables consist of the following:

	As of	
	March 31, 2019	**March 31, 2018**
Due to related parties*	13,000	-
Others trade payables	1,620,759	1,049,428
Capital creditors	-	13,892
Creditors for expenses	3,034,538	975,604
Total	**4,668,297**	**2,038,924**

*Refer note 19

14. Other Liabilities

Other liabilities consist of the following:

	As of	
	March 31, 2019	**March 31, 2018**
Current Liabilities		
Accrued expenses	7,517,755	7,238,483
Other Current Liabilities	9,513,401	5,084,311
Total Current Liabilities	**17,031,156**	**12,322,794**

15. Other (income)/expense, net

Other expense/ (income), net consist of the following:

	For the year ended	
	March 31, 2019	**March 31, 2018**
Profit on sale of other intangible assets	(9,588,500)	-
Other income – related parties*	(5,495,147)	(194,598)
Other (income)/expense, net	(560)	(108,133)
Total	**(15,084,207)**	**(302,731)**

*Refer Note 19

16. Finance (income)/ expense

Finance (income)/ expense consist of the following:

	For the year ended	
	March 31, 2019	**March 31, 2018**
Interest expense	470,721	451,176
Foreign exchange loss/ (gain)	(8,540)	8,859
Total	**462,181**	**460,035**

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

17. Revenue

Revenue consists of the following:

	For the year ended	
	March 31, 2019	**March 31, 2018**
Sales to third parties	34,972,842	37,402,128
Licence Fees	26,819,740	22,500,000
Service income*	804,939	1,644,029
Total	**62,597,521**	**61,546,157**

*Refer note 19

Details of significant gross to net adjustments

A roll-forward for each major accrual is presented below for our fiscal years ended March 31, 2018 and 2019:

Particulars	**Chargebacks**	**Rebates**	**Medicaid**	**Refund liability**
Beginning Balance: April 1, 2017	206,202	7,552,686	474,568	5,518,777
Current provisions relating to sales during the year	209,647	18,672,434	389,520	2,504,595
Provisions and adjustments relating to sales in prior years*	-	-	-	-
Credits and payments*	(296,011)	(22,514,170)	(694,819)	(2,573,037)
Ending Balance: March 31, 2018	**119,838**	**3,710,950**	**169,269**	**5,450,335**
Beginning Balance: April 1, 2018	119,838	3,710,950	169,269	5,450,335
Current provisions relating to sales during the year	431,391	31,185,561	1,742,369	2,851,947
Provisions and adjustments relating to sales in prior years*	-	-	-	-
Credits and payments*	(452,611)	(29,313,677)	(1,503,377)	(2,199,215)
Ending Balance: March 31, 2019	**98,618**	**5,582,834**	**408,261**	**6,103,067**

* Currently, the Company do not separately track the Provisions and adjustments relating to sales in prior years and credits and payments, in each case to the extent relating to prior years for chargebacks, rebates, medicaid payments or sales returns.

Chargebacks and rebates provisions for the year ended March 31, 2019 and payments for the year ended March 31, 2019 were higher as compared to the year ended March 31, 2018, primarily as a result of increase in volumes and pricing rates per unit for certain products.

The overall provision for refund liability as at March 31, 2019 was USD 6,103,067 as compared to a provision of USD 5,450,335 as at March 31, 2018. This increase in our provision was primarily attributable to a higher sales recorded for the year ended March 31, 2019.

Particluars	**Refund liability**
Balance as at April 1, 2018	5,450,335
Provision made during the year	2,851,947
Credits and payments during the year	2,199,215
	6,103,067

Details of contract liabilities

	For the year ended	
	March 31, 2019	**March 31, 2018**
Advance from customers	47,356	57,600
	47,356	**57,600**

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

18. 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, 2019 and 2018 was USD 779,351 and USD 683,687 respectively.

19. 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 (Australia) Pty. Limited ("Company under common control")
(d) Aurigene Discovery Technologies Limited ("Company under common control")
(e) Dr. Reddy's Laboratories Tennessee, LLC("Company under common control")
(f) Dr. Reddy's Laboratories Louisiana LLC ("Company under common control")
(g) Dr. Reddy's Laboratories SA ("Company under common control")

The following is a summary of significant related party transactions:

Particulars	For the year ended	
	March 31, 2019	March 31, 2018
Loan from:		
Dr. Reddy's Laboratories Inc.	23,880,552	12,643,762
Loan repaid to:		
Dr. Reddy's Laboratories (Australia) Pty. Limited	115,409	-
Service income from:		
Profit share from Dr. Reddy's Laboratories Inc.	804,939	1,644,029
Other income from:		
Dr. Reddy's Laboratories Limited	5,351,108	
Dr. Reddy's Laboratories SA	144,039	194,598
Purchases from:		
Dr. Reddy's Laboratories Limited	13,000	-
Expenses Reimbursements		
Aurigene Discovery Technologies Limited	-	14,275
Dr. Reddy's Laboratories (Australia) Pty. Limited	-	57,820

The Company has the following amounts due from related parties (included in trade receivables and other current assets):

Particulars	As of	
	March 31, 2019	March 31, 2018
Dr. Reddy's Laboratories Limited	5,351,108	2,500,016
Dr. Reddy's Laboratories Inc.	56,624,116	58,198,727
Dr. Reddy's Laboratories SA	25,128	232,785
Dr. Reddy's Laboratories Tennessee, LLC	-	400,000
Total amounts due from related parties	**62,000,352**	**61,331,528**

The Company has the following amounts due to related parties (Included in Trade and other payables & Loans and Borrowings):

Particulars	As of	
	March 31, 2019	March 31, 2018
Dr. Reddy's Laboratories Limited	13,000	-
Dr. Reddy's Laboratories Inc. (refer note a)*	30,000,000	182,345,684
Dr. Reddy's Laboratories (Australia) Pty. Limited	-	115,409
Total amounts due to related parties	**30,013,000**	**182,461,093**

Note a:
Represents loans and borrowings received from group companies. Refer to Note 2(e) for details. These borrowings are repayable on demand and hence presented as current liability in the financial statements.

*Also refer Note 11 for conversion of loans and borrowings to equity.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

20. Income taxes

a. Income tax (expense)/benefit recognsied in the income statement

Income tax (expense)/benefit recognsied in the income statement consist of the following:

Particulars	Years ended March 31	
	2019	2018
Current taxes (expense)/ benefit		
Current taxes (expense)/ benefit	(977,271)	51,054,574
Current tax effect of net operation losses carry back	-	(24,489,765)
	(977,271)	26,564,809
Deferred taxes (expense)/benefit		
Deferred taxes (expense)/benefit	(4,525,465)	2,936,576
Impact on account of change in enacted tax rate	-	(2,936,657)
	(4,525,465)	(81)
Total income tax (expense)/benefit in income statement	**(5,502,736)**	**26,564,728**

The Company is considered as disregarded entity for the purpose of Income taxes. The tax expense in the Income Statement of the Company is on account of tax allocation from the consolidated tax benefit/ (expense) of Dr. Reddy's Laboratories Inc. The tax expenses are computed and presented at consolidated financial statements of Dr. Reddy's Laboratories Inc. as per the tax laws of the United States.

b. Income tax (expense)/benefit recognsied directly in equity

There were no income tax expenses / benefits recognsied directly in equity for the year ended March 31, 2019 and 2018.

c. Reconciliation of effective tax rate

Particulars	For the year ended March 31	
	2019	2018
Profit/ (loss) before income taxes	8,661,340	(11,654,918)
Enacted tax rate in US	21.00%	33.71%
Computed expected tax benefit/(expense)	**(1,818,882)**	**3,928,919**
Effect of change in tax laws and rate	-	(2,936,657)
Expenses not deductible for tax purposes	(370,897)	374,784
Effect of permanent differences	160,900	(702,787)
Others	(346,297)	83,503
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	(3,127,560)	25,816,966
Income tax benefit/ (expense)	**(5,502,736)**	**26,564,728**
Effective tax rate	-63.53%	-227.93%

(1) The Company's consolidated weighted average effective tax rates for the years ended 31 March 2019 and 31 March 2018 were (63.53)% and (227.93)%, respectively. Tthe Company pursuant to the enactment of The Tax Cuts and Jobs Act of 2017 in the United States on 22 December 2017, re-measured its deferred tax assets and liabilities. This has resulted in impact of USD (2,936,657) for the year ended 31 March 2018. Further, effective tax rate is effected due to allocation of tax expenses based on Parent Down approach which are computed at Parent Company level and consolidated basis.

d. Unrecognsied deferred tax assets and liabilities

During the financial year ending March 31, 2019 and March 31, 2018 the company did not have unrecognsied 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:

Particulars	For the year ended	
	March 31, 2019	**March 31, 2018**
Deferred tax assets/(liabilities):		
Property plant and equipment	(4,499,085)	5,628,480
Operating loss carry forward	-	(24,489,765)
Stock based compensation/ equity	(2,360)	(1,064,644)
Accounts receivable	58,983	8,294,767
R&D credit	-	(942,620)
Other current assets	(91,410)	(1,648,196)
Intangibles	-	-
Other current liabilities	8,407	14,221,897
Net deferred tax asset/(liabilities)	**(4,525,465)**	**(81)**

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 recognsied 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 recognsied deductible differences and tax loss carry forwards.

f. Movement in temporary differences during the years ended March 31, 2019 and 2018:

The details of movement in deferred tax assets and liabilities are summarised below:

	As at March 31, 2018	**Movement**	**As at March 31, 2019**
Deferred tax assets/(liabilities)			
Property, plant and equipment and intangibles	4,432,464	(4,499,085)	(66,621)
Accounts receivable	1,329,238	58,983	1,388,221
Stock based compensation	17,124	(2,360)	14,764
Other current assets	134,546	(91,410)	43,136
R and D credit	-	-	-
Other current liabilities	21	8,407	8,428
Operating losses carried forward	-	-	-
Net deferred tax assets/(liabilities)	**5,913,393**	**(4,525,465)**	**1,387,928**

	As at March 31, 2017	**Movement**	**As at March 31, 2018**
Deferred tax assets/(liabilities)			
Property, plant and equipment and intangibles	(1,196,016)	5,628,480	4,432,464
Accounts receivable	(6,965,529)	8,294,767	1,329,238
Stock based compensation	1,081,768	(1,064,644)	17,124
Other current assets	1,782,742	(1,648,196)	134,546
R and D credit	942,620	(942,620)	-
Other current liabilities	(14,221,876)	14,221,897	21
Operating losses carried forward	24,489,765	(24,489,765)	-
Net deferred tax assets/(liabilities)	**5,913,474**	**(81)**	**5,913,393**

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

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.

The DRL 2007 Plan provides for option grants in two categories:

Category A: Stock options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

Category B: Stock options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., USD 0.12 per option).

Stock option activity under the DRL 2007 Plan for the two categories of options during the years ended March 31, 2019 and 2018 is as follows:

Category A — Fair Market Value Options: There were no options granted under this category as of March 31, 2019 and March 31, 2018.

Category B – Par Value Options - Fiscal Year ended March 31, 2019

	Shares arising out of options	Exercise price	Weighted-average exercise price	Weighted average remaining contractual life (months)
Outstanding at the beginning of the year	10,185	USD 0.12	USD 0.12	72
Granted during the year	6,216	USD 0.12	USD 0.12	90
Expired/ Forfeited during the year	(1,567)	USD 0.12	USD 0.12	-
Exercised during the year	(3,627)	USD 0.12	USD 0.12	-
Outstanding at the end of the year	11,207	USD 0.12	USD 0.12	76
Exercisable / vested at the end of the year	520	USD 0.12	USD 0.12	50

Category B – Par Value Options - Fiscal Year ended March 31, 2018

	Shares arising out of options	Exercise price	Weighted-average exercise price	Weighted average remaining contractual life (months)
Outstanding at the beginning of the year	5,650	USD 0.12	USD 0.12	68
Granted during the year	6,244	USD 0.12	USD 0.12	90
Expired/ Forfeited during the year	(720)	USD 0.12	USD 0.12	-
Exercised during the year	(989)	USD 0.12	USD 0.12	-
Outstanding at the end of the year	10,185	USD 0.12	USD 0.12	72
Exercisable / vested at the end of the year	1,506	USD 0.12	USD 0.12	43

The weighted average grant date fair value of options granted during the years ended March 31, 2019 and March 31, 2018 was USD 30.08 and USD 39.37 per option, respectively. The weighted average share price on the date of exercise of options during the years ended March 31, 2019 and March 31, 2018 was USD 35.41 and USD 35.65 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended March 31, 2019 and 2018 was USD 128,187 and USD 35,179, respectively. As of March 31, 2019, options outstanding had an aggregate intrinsic value of USD 449,747 and options exercisable had an aggregate intrinsic value of USD 20,868.

Valuation of stock options (Computed at Parent Company level):

The fair value of services received in return for stock options granted to employees is measured by reference to the fair value of stock options granted. The fair value of stock options granted under the DRL 2002 Plan, the DRL 2007 Plan and DRL 2018 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.

The estimated fair value of stock options is recognsied in the parent companies consolidated statement of profit and loss on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards

The weighted average inputs used by Parent Company in computing the fair value of options granted during the years March 31 2019 and 31 March 31, 2018 were as follows:

Particulars	Grants made on		
	26-Jul-18	21-May-18	11-May-17
Expected volatility	34.89%	32.97.%	31.08.%
Exercise price	Rs.5.00	Rs.5.00	Rs.5.00
Option life	2.5 Years	2.5 Years	2.5 Years
Risk-free interest rate	7.47%	7.46%	6.69%
Expected dividends	0.94%	1.06%	0.77%
Grant date share price	Rs.2,132.75	Rs.1,893.05	Rs.2,594.00

For the years ended March 31, 2019 and 2018 an amount of USD 148,098 and USD 138,258 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, 2019, there was approximately USD 145,752 of total unrecognsied compensation cost related to unvested stock options. This cost is expected to be recognsied over a weighted-average period of 1.90 years.

22. Financial Instruments

Financial Instruments by category

The carrying value and fair value of the financial instruments by each category are as follows:

Particulars	Note	As of			
		March 31, 2019		March 31, 2018	
		Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
Assets:					
Cash and cash equivalents	10	82,911	82,911	303,266	303,266
Trade and other receivables	8	49,485,217	49,485,217	9,072,558	9,072,558
Other assets*	9	65,135,413	65,135,413	61,331,528	61,331,528
Total		**114,703,541**	**114,703,541**	**70,707,352**	**70,707,352**
Liabilities:					
Trade and other payables	13	4,668,297	4,668,297	2,038,924	2,038,924
Loans and borrowings	19	30,000,000	30,000,000	182,461,093	182,461,093
Other liabilities and provisions	12 &14	16,627,157	16,627,157	11,956,148	11,956,148
Total		**51,295,454**	**51,295,454**	**196,456,165**	**196,456,165**

***** Other assets that are not financial assets (such as prepaid expenses, advances paid and certain other receivables) of USD 2,258,335 and USD 4,034,844 as of March 31, 2019 and 2018, respectively, are not included.

***** Other liabilities that are not financial liabilities (such as refund liability and provision for vacation accruals) of USD 6,507,066 and USD 5,816,981 as of March 31, 2019 and 2018, respectively, are not included.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

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 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. (Refer note 8 for provision for expected credit loss)

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, 2019. Of the total gross trade receivables (excluding chargeback and other rebates), USD 18,274,538 and USD 10,259,702 as at March 31, 2019 and 2018 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 aging of trade receivables that are past due, net of allowance for doubtful receivables, is given below:

Period (in days)	Year ended	
	March 31, 2019	March 31, 2018
00-90	33,654,073	853,141
90-180	27,664	11,409
More than 180	162,657	75,184
Total	**33,844,394**	**939,734**

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 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, 2019 and 2018 the Company had working capital surplus/(deficit) of USD 62,254,925 and USD (128,026,569) respectively. Based on operations of the Company and Parent Company's support, the Company will be able to meet 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, 2019:

Particulars	2019	2020	2021	2022	Thereafter	Total
Trade and other payables	4,668,297	-	-	-	-	4,668,297
Loans and borrowings	30,000,000	-	-	-	-	30,000,000
Other liabilities and provisions	16,627,157	-	-	-	-	16,627,157
Total	**51,295,454**	**-**	**-**	**-**	**-**	**51,295,454**

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2018:

Particulars	2018	2019	2020	2021	Thereafter	Total
Trade and other payables	2,038,924	-	-	-	-	2,038,924
Loans and borrowings	182,461,093	-	-	-	-	182,461,093
Other liabilities and provisions	11,956,148	-	-	-	-	11,956,148
Total	**196,456,165**	**-**	**-**	**-**	**-**	**196,456,165**

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

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, 2019:

Particulars	INR	AUD	Euro	GBP	Total
Liabilities: (in USD)					
Trade payables	-	-	-	-	-
Other Liabilities & Provisions	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

The following table analyse foreign currency risk from financial instruments as at March 31, 2018:

Particulars	INR	AUD	Euro	GBP	Total
Liabilities: (in USD)					
Trade payables	-	-	80,096	-	80,096
Other Liabilities & Provisions	-	115,409	-	-	115,409
Total	**-**	**115,409**	**80,096**	**-**	**195,505**

For the year ended March 31, 2019 and 2018, 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 Nil and USD 19,551 respectively.

Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases 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.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

24. Nature of Expense

The following table shows the expenses by nature:

Particulars	For the year ended March 31, 2019			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	3,867	24,404,816	(246,720)	24,161,963
Depreciation and amortization	-	1,586,625	-	1,586,625
	3,867	**25,991,441**	**(246,720)**	**25,748,588**

Particulars	For the year ended March 31, 2018			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	7,539	22,876,064	671,603	23,555,206
Depreciation and amortization	-	5,280,550	-	5,280,550
	7,539	**28,156,614**	**671,603**	**28,835,756**

25. Subsequent events

There are no significant events that occurred after the balance sheet date.

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 2019, 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 2019;

(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: 15 May 2019

Reddy Antilles N.V.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Financial assets			
Loans	2.1	36,710	88,128
		36,710	**88,128**
Current assets			
Financial assets			
Cash and cash equivalents	2.2	30,879	456
Other current assets	2.3	1,116	5,115
Total current assets		**31,995**	**5,571**
Total assets		**68,705**	**93,699**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.4	411,295	52,279
Other equity			
Retained earnings		(345,933)	(316,124)
Total equity		**65,362**	**(263,845)**
Non current liabilities			
Financial Liabilities			
Borrowings	2.5	-	338,586
		-	**338,586**
Current liabilities			
Financial Liabilities			
Other current financial liabilities	2.6	3,308	18,925
Liabilities for current tax, net		35	33
Total Liabilities		**3,343**	**18,958**
Total equity and liabilities		**68,705**	**93,699**
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: 15 May 2019

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 2019	For the year ended 31 March 2018
Other Income		-	-
Total Income		**-**	**-**
Expenses			
Other expenses	2.7	29,809	130,156
Total expense		**29,809**	**130,156**
Profit/(Loss) before tax		**(29,809)**	**(130,156)**
Income tax expense		-	-
Profit/(Loss) for the year		**(29,809)**	**(130,156)**
Earnings per share:			
Basic - Par value USD 1 per share		(26.01)	(115.01)
Diluted - Par value USD 1 per share		(26.01)	(115.01)
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 **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: 15 May 2019

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 2019	For the year ended 31 March 2018
Operating activities		
Profit/(loss) before taxation	(29,809)	(130,156)
Adjustments to reconcile profit before tax to net cash flows:		
Loss on sale of investments	-	125,614
Net foreign exchange differences	23,183	960
Operating cash flows before working capital changes	**(6,626)**	**(3,582)**
Working capital adjustments:		
Other assets & liabilities,net	39,814	(2,943)
	33,188	**(6,525)**
Income tax paid	-	-
Net cash flows from operating activities	**33,188**	**(6,525)**
Net cash flows used in investing activities		
Loans and advances repaid by wholly owned subsidiaries and other group companies	(2,241)	5,497
	(2,241)	**5,497**
Net cash flows from/ (used in) financing activities		
Repayment of borrowings from wholly owned subsidiaries and other group companies	-	-
	-	**-**
Net increase / (decrease) in cash and cash equivalents	30,947	(1,028)
Cash and cash equivalents at the beginning of the year	456	1,485
Effect of foreign exchange gain on cash and cash equivalents	(524)	(1)
Cash and cash equivalents at the end of the year	**30,879**	**456**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	30,879	456
Cash and bank balances at the end of the year	**30,879**	**456**

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: 15 May 2019

Reddy Antilles N.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	Retained Earnings	
Balance as of 1 April 2017	**1,131,646**	**52,279**	**(185,968)**	**(133,689)**
Profit/(Loss) for the period	-	-	(130,156)	(130,156)
Balance as of 31 March 2018	**1,131,646**	**52,279**	**(316,124)**	**(263,845)**
Issue of shares during the year	5,210,401	359,016	-	359,016
Profit/(Loss) for the period	-	-	(29,809)	(29,809)
Balance as of 31 March 2019	**6,342,047**	**411,295**	**(345,933)**	**65,362**

As per our 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: 15 May 2019

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:

Description of the Company

Reddy Antilles N.V. (" the Company") incorporated in the Netherlands, is a 100% subsidiary of Dr.Reddy's Laboratories Limited.

Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

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 from contracts with customers

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes 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

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. 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.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

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 non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

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 assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed 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.

Reddy Antilles N.V.

Significant Accounting Policies & Notes to financial statements

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

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. General and specific 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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 - 30 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	3 - 10 years
Vehicles	4 - 5 years

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

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. 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.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

Provisions, contingent liabilities and contingent assets

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.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

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.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

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 2019	As at 31 March 2018
Due from holding company and other group companies(included in loans and advances):		
Reddy Netherlands B.V.	15,630	16,773
OOO DRS LLC	21,065	22,350
Dr. Reddy's Research and development B.V.	-	48,997
Dr. Reddy's Laboratories Limited	15	-
Eurobridge Consulting B.V.	-	9
Due to holding company and other group companies(included in non current borrowings and current financial liabilities):		
Dr. Reddy's Laboratories Limited	2,409	357,511

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 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

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

Financial Assets

	As at 31 March 2019	As at 31 March 2018
2.1 : Non current Loans and Advances		
Loans and advances to wholly owned subsidiaries & other group companies	36,710	88,128
	36,710	**88,128**

	As at 31 March 2019	As at 31 March 2018
2.2 : Cash and cash equivalents		
Balances with banks:		
- On current accounts	30,879	456
	30,879	**456**

	As at 31 March 2019	As at 31 March 2018
2.3 : Other assets		
Other Current assets		
Prepaid expenses	67	66
Others	1,049	5,049
	1,116	**5,115**

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

2.4 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
6,342,047 shares (previous year : 1,131,646) of USD 1 each	411,295	52,279
Issued equity capital		
6,342,047 shares (previous year : 1,131,646) of USD 1 each	411,295	52,279
Subscribed and fully paid-up		
6,342,047 shares (previous year : 1,131,646) of USD 1 each	411,295	52,279
	411,295	**52,279**

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

Particulars	**As at 31 March 2019**		**As at 31 March 2018**	
	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
Add:Shares issued during the year	5,210,401	359,016	-	-
Number of shares outstanding at the end of the year	**6,342,047**	**411,295**	**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 2019**		**As at 31 March 2018**	
	No. of equity shares held	**% holding in the class**	**No. of equity shares held**	**% holding in the class**
Dr. Reddy's Laboratories Limited	6,342,047	100%	1,131,646	100%

2.5 : Borrowings

Non-current Borrowings	As at 31 March 2019	As at 31 March 2018
From other parties		
Long term borrowings from holding company	-	338,586
	-	**338,586**

2.6 : Other financial liabilities

	As at 31 March 2019	As at 31 March 2018
Other current financial liabilities		
Other liabilities	899	-
Due to holding company and other group companies	2,409	18,925
	3,308	**18,925**

2.7 : Other expenses	For the year ended 31 March 2019	For the year ended 31 March 2018
Legal and professional	1,129	1,316
Other general expenses	267	271
Foreign exchange loss,net	28,413	2,955
Loss on sale of investments	-	125,614
	29,809	**130,156**

WIRTSCHAFTSPRÜFUNG Hall

Reddy Holding GmbH,
Augsburg

Report on the voluntary audit of the annual financial statements as at March 31, 2019

Auditor
Bernhard Hall
Ravenspurgerstrasse 41
86150 Augsburg

Contents Page

Directory of Annexes 3

List of abbreviations 3

A. Audit mandate 4

B. Basic determinations 4

Opinion on the assessment of the Management Board 4

C. Object, nature and scope of the audit 5

D. Findings and notes on accounting 7

I. Regularity of accounting 7

1. Accounting records and other audited documents 7
2. Annual financial statements 7

II. Overall presentation of the annual financial statements 8

1. Determinations of the overall presentation of the annual financial statements 8
2. Significant valuation policies and changes to those policies 8
3. Measures influencing individual items 8
4. Classifications and notes 9

E. Presentation of the audit report and auditor's opinion 11

Directory of Annexes

Annex 1	Balance sheet as at March 31, 2019
Annex 2	Income statement for fiscal 2018/19
Annex 3	Notes to the financial statements for fiscal 2018/19
Annex 4	Auditor's opinion
	General terms and conditions for auditors and auditing companies of January 1, 2017

List of abbreviations

€	euro
Company	Reddy Holding GmbH
HGB	Handelsgesetzbuch (German Commercial Code)
HR	Handelsregister (German Commercial Register)
IDW	Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf
IDW PS 400 (Revised)	IDW Audit Standard "Formation of an audit opinion and issue of an audit report"
IDW PS 450 (Revised)	IDW Audit Standard "Principles of proper preparation of audit reports"
ICS	Internal control system
AS	Auditing standard
k€	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, 2019, including the underlying accounting records, 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 January 28, 2019.

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 preparation of audit reports (IDW PS 450 (Revised)), 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 audit report with unmodified 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, 2017" 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, 2019 (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 2019. The audit report was then finalized. I did not carry out a preliminary audit this year because the volume of business hardly differs from the previous year.

The starting point for my audit was the annual financial statements prepared by the Company as at March 31, 2019. The annual financial statements as at March 31, 2018, were adopted as such by the shareholders' resolution of May 14, 2018.

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 liabilities to financial institutions;
- Valuation of the shares of betapharm Arzneimittel GmbH;
- Valuation 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, 2019, 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

The accounting and valuation policies were unchanged from the prior year. 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.

Decline in overall performance and net income

The overall performance is as follows:

	2018/19		2017/18		Change	
	k€	%	k€	%	k€	%
Sales revenues	1,919	94.2	1,918	91.9	1	0.1
Other operating income	118	5.8	169	8.1	-51	-30.2
Overall performance	2,037	100.0	2,087	100.0	-50	-2.4

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 mainly attributable to income from other accounting periods due to the release of other provisions (€118,000; prior year: €132,000).

The reconciliation of the overall performance to net income is shown below.

	2018/19		2017/18		Change	
	k€	%	k€	%	k€	%
Overall performance	2,037	100.0	2,087	100.0	-50	-2.4
Personnel expense	-979	-48.1	-1,222	-58.5	243	19.9
Other operating expenses	-352	-17.3	-459	-22.0	107	23.3
Income from profit transfers	9,553	> 100.0	14,721	> 100.0	-5,168	-35.1
Net interest	-866	-42.5	-580	-27.8	-286	-49.3
Tax expense	-2,601	> 100.0	-3,373	> -100.0	772	22.9
Net income	6,792	> 100.0	11,174	> 100.0	-4,382	-39.2

The net income for the year is significantly influenced by the profit transfer of 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. Personnel expense and other operating expenses include the administrative costs relating to the administration of the shareholding.

Increase in balance sheet total

The increase in the balance sheet total to €189,365,000 is attributable to the net profit for the year generated in the current fiscal year. The tax provisions for fiscal years 2015/16 and 2016/17 were utilized in the amount of €13,631,000. For fiscal years 2017/18 and 2018/19, tax receivables of €849,000 exist from the tax authorities. In order to finance the tax payments to the tax authorities, the Company had loans from betapharm Arzneimittel GmbH disbursed.

	March 31, 2019		March 31, 2018		Change	
	k€	%	k€	%	k€	%
Equity	118,299	62.5	111,508	59.3	6,791	6.1
Provisions	306	0.2	13,916	7.4	-13,610	-97.8
Liabilities	70,760	37.4	62,550	33.3	8,210	13.1
Balance sheet total	189,365	100.0	187,974	100.0	1,391	0.7

Increase in equity ratio

The equity ratio was increased this year. As a result, the Company's assets are mainly financed by equity. Provisions mainly relate to provisions for outstanding invoices and personnel obligations. The vast majority of the liabilities are attributable to liabilities to financial institutions and to betapharm Arzneimittel GmbH.

	March 31, 2019		March 31, 2018		Change	
	k€	%	k€	%	k€	%
Fixed assets	187,100	98.8	187,100	99.5	0	0.0
Receivables, bank balances	2,265	1.2	874	0.5	1,391	> 100.0
Balance sheet total	189,365	100.0	187,974	100.0	1,391	0.7

The fixed assets relate to the 100% stake in betapharm Arzneimittel GmbH amounting to €187,000,000 and the 100% stake in beta Institut gGmbH amounting to €100,000.

E. Presentation of the audit report and auditor's opinion

After the conclusion of my audit, I have issued the following audit report with unmodified audit opinion on the annual financial statements as at March 31, 2019 (Annexes 1 to 3) of Reddy Holding GmbH, Augsburg, Germany, dated May 09, 2019, which is reproduced here:

"Auditor's opinion of the independent auditor

To Reddy Holding GmbH

Auditor's opinion

I have audited the annual financial statements of Reddy Holding GmbH, comprising the balance sheet as at March 31, 2019 and the income statement for the fiscal year from April 1, 2018 to March 31, 2019 and the notes to the financial statements, together with a description of the accounting policies used.

In my opinion, based on the findings of my audit, the accompanying financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as at March 31, 2019 and of its results of operations for the fiscal year from April 1, 2018 to March 31, 2019 in accordance with the German principles of proper accounting.

Pursuant to section 322, para. 3, sentence 1 HGB, I declare that my audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the auditor's opinion

I conducted my audit of the annual financial statements in accordance with section 317 HGB and the generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW). My responsibility under these requirements and standards is broadly described in the "Auditor's responsibility for the audit of the annual financial statements" section of my audit report. I am independent of the Company in accordance with the requirements of German commercial and professional law, and have fulfilled my other German professional responsibilities in accordance with these requirements. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my auditor's opinion on the annual financial statements.

Management's responsibility for the annual financial statements

Management is responsible for preparing the annual financial statements in compliance, in all material respects, with the requirements of German commercial law applicable to corporations and for ensuring 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 the German principles of proper accounting. In addition, management is responsible for such internal controls as they have determined necessary in accordance with the German principles of proper accounting to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to the continuation of business activities. In addition, they are responsible for financial reporting based on the going concern basis of accounting, except to the extent that this is contrary to fact or law.

Responsibility of the auditor for the audit of the annual financial statements

My objective is to obtain reasonable assurance that the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my audit opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with the generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement. 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 annual financial statements.

I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the annual 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 my audit 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 the internal control system relevant to the audit of the annual financial statements in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- 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 I conclude that a material uncertainty exists, I am required to draw attention in the audit report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify my respective audit opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- assess the overall presentation, the structure and the content of the annual financial statements including the disclosures and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the German principles of proper accounting."

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 audit report is cited or reference is made to my audit; please see section 328 HGB.

Augsburg, May 09, 2019

DIPL.-KFM. BERNHARD HALL
WIRTSCHAFTS-PRÜFER
SIEGEL
AUGSBURG

Bernhard Hall
Auditor

ANNEXES

Reddy Holding GmbH, Augsburg

Assets

	Notes	March 31, 2019 EUR	March 31, 2018 EUR
A. Fixed assets			
I. Financial assets			
Shares in affiliated companies		187,100,000.00	187,100,000.00
		187,100,000.00	187,100,000.00
B. Current assets			
I. Receivables and other assets	II.1		
1. Receivables from affiliated companies	II.2+3	1,049,337.53	422,902.10
2. Other receivables and assets		1,045,649.22	322,876.82
		2,094,986.75	745,778.92
II. Cash and bank balances		170,145.07	128,483.07
		2,265,131.82	874,261.99
Total assets		189,365,131.82	187,974,261.99

Liabilities

	Notes	March 31, 2019 EUR	March 31, 2018 EUR
A. Equity			
I. Subscribed capital		27,000.00	27,000.00
II. Capital reserve		300,000,000.00	300,000,000.00
III. Loss carry-forward		-188,519,249.19	-199,693,228.33
IV. Net income		6,791,711.93	11,173,979.14
		118,299,462.74	111,507,750.81
B. Provisions			
1. Tax provisions		0.00	13,461,791.71
2. Other provisions		305,637.14	454,031.68
		305,637.14	13,915,823.39
C. Liabilities	II.4		
1. Liabilities to financial institutions		42,059,535.00	42,058,590.00
2. Trade payables		0.00	2,787.64
3. Liabilities to affiliated companies	II.5	28,683,625.67	20,474,136.40
4. Other liabilities	II.6	16,871.27	15,173.75
		70,760,031.94	62,550,687.79
Total liabilities		189,365,131.82	187,974,261.99

Reddy Holding GmbH, Augsburg

Income statement for the period
from April 1, 2018 to March 31, 2019

	Notes	2018/2019	2017/2018
		EUR	EUR
1. Sales revenues		1,919,275.14	1,918,000.08
2. Other operating income		117,997.34	168,734.15
		2,037,272.48	2,086,734.23
3. Personnel expense			
a) Wages and salaries		-818,377.34	-1,052,304.39
b) Social security payments		-160,228.39	-169,395.92
4. Other operating expenses		-352,131.15	-459,439.77
5. Income from profit transfers		9,552,550.62	14,721,499.29
6. Other interest and similar income		0.00	0.00
7. Interest and similar expenses	II.7	-865,770.24	-580,170.77
8. Taxes on income		-2,601,342.49	-3,382,197.22
9. Earnings after taxes		6,791,973.49	11,164,725.45
10. Other taxes		-261.56	9,253.69
11. Net income		6,791,711.93	11,173,979.14

NOTES TO THE FINANCIAL STATEMENTS
for fiscal year 2018/2019

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 less impairment charges due to expected permanent impairment.

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.

II. Notes to the balance sheet and income statement

II.1 All receivables are due within one year.

II.2 Receivables from affiliated companies mainly comprise entitlements to profit transfer from a subsidiary.

II.3 Fiscal unity exists with the subsidiary betapharm Arzneimittel GmbH. The tax provisions of previous years were utilized.

II.4 The liabilities total €70,760,032 (prior year: €62,550,688), comprising €70,760,032 due within a year (prior year: €20,550,688) and €0 due within between one and five years (prior year: €42,000,000). There are no liabilities with a remaining term of more than five years.

II.5 Liabilities to affiliated companies include liabilities to shareholders in the amount of €0 (prior year: €12,272,373).

II.6 Other liabilities include tax liabilities in the amount of €13,611 (prior year: €12,121).

II.7 Interest expenditure includes interest paid to affiliated companies in the amount of €519,665 (prior year: €258,661).

III. Other notes

III.1 Reddy Holding GmbH with head office in Augsburg, Germany, is registered with the Augsburg District Court under HRB 21913. The Company is classified as a small capital company under section 267, para. 1 HGB.

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

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 13 persons were employed during the fiscal year (prior year: 14).

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, May 09, 2019

.....
Sameer Sudhkar Natu

CEO

AUDITOR'S OPINION OF THE INDEPENDENT AUDITOR

To Reddy Holding GmbH

Auditor's opinion

I have audited the annual financial statements of Reddy Holding GmbH, comprising the balance sheet as at March 31, 2019 and the income statement for the fiscal year from April 1, 2018 to March 31, 2019 and the notes to the financial statements, together with a description of the accounting policies used.

In my opinion, based on the findings of my audit, the accompanying financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as at March 31, 2019 and of its results of operations for the fiscal year from April 1, 2018 to March 31, 2019 in accordance with the German principles of proper accounting.

Pursuant to section 322, para. 3, sentence 1 HGB, I declare that my audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the auditor's opinion

I conducted my audit of the annual financial statements in accordance with section 317 HGB and the generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW). My responsibility under these requirements and standards is broadly described in the "Auditor's responsibility for the audit of the annual financial statements" section of my audit report. I am independent of the Company in accordance with the requirements of German commercial and professional law, and have fulfilled my other German professional responsibilities in accordance with these requirements. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my auditor's opinion on the annual financial statements.

Management's responsibility for the annual financial statements

Management is responsible for preparing the annual financial statements in compliance, in all material respects, with the requirements of German commercial law applicable to corporations and for ensuring 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 the German principles of proper accounting. In addition, management is responsible for such internal controls as they have determined necessary in accordance with the German principles of proper accounting to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to the continuation of business activities. In addition, they are responsible for financial reporting based on the going concern basis of accounting, except to the extent that this is contrary to fact or law.

Responsibility of the auditor for the audit of the annual financial statements

My objective is to obtain reasonable assurance that the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my audit opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with the generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement. 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 annual financial statements.

I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the annual 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 my audit 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 the internal control system relevant to the audit of the annual financial statements in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- 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 I conclude that a material uncertainty exists, I am required to draw attention in the audit report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify my respective audit opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- assess the overall presentation, the structure and the content of the annual financial statements including the disclosures and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.

Augsburg, May 09, 2019

DIPL.-KFM. BERNHARD HALL
WIRTSCHAFTS-PRÜFER
AUGSBURG

Bernhard Hall
Auditor

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 audit report is cited or reference is made to my audit; please see section 328 HGB.

General Conditions of Contract

for

Auditors and Auditing Companies

dated January 1, 2017

1. Scope

(1) The Conditions of Contract apply to agreements between auditors or auditing 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.

Grant Thornton

Reddy Netherlands B.V.

in Leiden

Annual Report 2018/2019

Grant Thornton

CONTENTS

	Page
Report of the auditors	
Engagement	1
General	2
Financial report	
Report of the Managing Directors	3
Financial statements	
Consolidated balance sheet as at 31 March 2019	7
Consolidated profit & loss account for the year 2018/2019	9
Notes to the Consolidated financial statements	10
Notes to the balance sheet as at 31 March 2019	17
Notes to the consolidated profit & loss account for the year 2018/2019	23
Balance sheet as at 31 March 2019	26
Profit & loss account for the year 2018/2019	28
Principles for the valuation of assets and liabilities and the determination of the result	29
Notes to the balance sheet as at 31 March 2019	30
Notes to the company profit & loss account for the year 2018/2019	34
Other information	
Provisions in the Articles of Association governing the appropriation of profit	36
Independent auditor's report	37

-the document is copyright-

Grant Thornton

To the management of
Reddy Netherlands B.V.
Zernikedreef 12
2333 CL Leiden

Grant Thornton
Accountants en Adviseurs B.V.
Fleminggwg 10
P.O. Box 2259
2400 CG Alphen aan den Rijn
The Netherlands
T 088-676 90 00
F 088-676 90 01
www.gt.nl

Rotterdam, 15 May 2019

Subject: Annual report 2018/2019

Dear sirs,

We send you the annual report regarding the financial statements for the year 2018/2019 of your company, which include the company balance sheet with a total of € 25.930 (x 1.000), the consolidated balance sheet with a total of € 32.102 and the profit and loss account ending with a net result of respectively € -19 (x 1.000) and € -19 (x 1.000).

ENGAGEMENT

In accordance with your instructions we have audited the 2018/2019 financial statements of Reddy Netherlands 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 2018/2019 annual accounts attached to this report.

For the audit opinion we refer to the chapter "Other information" on page 36 of this report.

Yours sincerely,
Grant Thornton Accountants en Adviseurs B.V.

drs. M.P. van Rijasel RA

Grant Thornton Accountants en Adviseurs B.V. is a member of the Grant Thornton International Ltd (Grant Thornton International).

This document is signed digitally.

Grant Thornton Accountants en Adviseurs B.V. is registered with the Chamber of Commerce of The Hague under registration number 27196593. In all our services we apply general conditions, as registered with the Registry of the District Court in The Hague, under A. A copy of these conditions will be sent to you on request. Any liability shall be limited to the amount which is mentioned in the general conditions.

Reddy Netherlands B.V.
in Leiden

GENERAL

Activities

Reddy Netherlands B.V. and its group companies are a pharmaceutical company specialised in the controlled release, development, formulation, and manufacture of injectable products. Reddy Netherlands 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 2019 the board of directors is formed by S. Reddy, R. Friedrichs and R. Vertijk.

FINANCIAL REPORT 2018/2019

REPORT OF THE MANAGING DIRECTORS

Introduction

This annual account is consolidated with all entities, Reddy Netherlands B.V. and his subsidiaries, Dr Reddy's Research & Development B.V. and Dr Reddy's Laboratories B.V. (hereinafter "Dr Reddy's").

Since its establishment in 1995 Dr Reddy's Research & Development B.V. (hereinafter "Dr Reddy's R&D",) 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 R&D 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 R&D 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.

In FY18, Dr Reddy's R&D entered into a transaction for sale of an IP relating to a Product know-how, to its wholly owned subsidiary company Dr Reddy's Laboratories BV (former "Eurobridge Consulting B.V").

Business developments and revenues

Dr. Reddy's majorly performs contract R&D activities on behalf of its ultimate parent entity Dr. Reddy's Laboratories Ltd. in which it carries out specified proof of concept projects for development of complex injectables, using microsphere and liposomal technologies. Our activities for complex injectable projects are typically reimbursed on a fee for service basis if the activities are for third parties, being minor part of the company activities. Dr. Reddy's also performs entrepreneurial R&D activities. Regarding this activity, it develops medicines at its own risk and expense. During the year the company performed such activity for one of the product
In order to be profitable and sustainable in the future, the company during the year also has taken various steps to control and reduce its cost. The company's focus now is primarily on development services for complex injectable formulations and the same is managed through development by clusters

Organization

On 31 March 2019, we employed 72 people, who were all located in the Netherlands (31 March 2018: 88). During 2017-18, 5 people joined (incl. 4 students) and 21 people left (incl. 3 students). On 31 March 2019 we employed 0 people through temporary employment agencies (31 March 2017 0 people).

Financial developments

The revenues decreased by 14% from € 14.2 million in 2017-18 to € 12.3 million in 2018-19. Revenue from Dr Reddy's Ltd. decreased from €13.4 million in 2017-18 to € 12.1 million in 2018-19.

Total operating costs (excluding interest) decreased by 7% from € 11.3 million in 2017-18 to € 10.6 million in 2018-19. Interest costs relate to our financial leases increased to € 0.63 million (2017-18: € 0.57 million).

No rights can be derived from this copy of the report.

Outlook fiscal year 2020

Our focus on delivery, efficiency and effectiveness in virtually all key functions of our organization has generated the revenue in 2018-19 which we expect to be able to continue. We expect to meet the increased demand from our customers by increasing the utilization of our 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 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 in achieving this objective.

Dr Reddy's internal risk control structure consists of:

Policies, principles and procedures

Dr Reddy's 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 implement 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 are sufficient and mentioned in the implemented.

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

During 2018-19 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 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 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 2018/19, 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 operates needs to comply to strict rules and regulations, in particular related to cGMP manufacturing. The rules relevant to Dr Reddy's 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. Dr Reddy's intends to adhere to all relevant quality and safety standards.

Leiden, 15 May 2019

On Behalf of the Board,

S. Reddy

R. Friedrichs

R. Verrijk

-This document is signed digitally -

Currency risk

A number of our customers is located outside the Euro-zone. We minimize our exposure to exchange 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 analyses 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 2018/19, 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 operates needs to comply to strict rules and regulations, in particular related to cGMP manufacturing. The rules relevant to Dr Reddy's 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. Dr Reddy's intends to adhere to all relevant quality and safety standards.

Leiden, 15 May 2019

On Behalf of the Board,

S. Reddy

R. Friedrichs

R. Verrijk

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2019
(after appropriation of result)

		31 March 2019		31 March 2018	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
ASSETS					
Fixed assets					
Intangible fixed assets	(1)				
Development costs		7.315		5.112	
Intellectual property		2.937		3.671	
Goodwill		11.600		12.429	
			21.852		21.212
Tangible fixed assets	(2)				
Land and buildings		3.750		3.799	
Plant and equipments		1.736		3.441	
Furniture		176		113	
Assets under construction and prepayments		19		282	
			5.681		7.635
Financial fixed assets	(3)				
Associates			0		525
Current assets					
Trade and other receivables	(4)				
Trade debtors		1.715		2.662	
Taxes and social securities		590		545	
Other receivables, prepayments and accrued income		503		221	
			2.808		3.428
Cash and cash equivalents	(5)		1.761		783
			32.102		33.583

The original signed digitally.

		31 March 2019		31 March 2018	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
EQUITY AND LIABILITIES					
Equity	(6)		24.887		24.906
Non-current liabilities	(7)				
Finance lease liabilities			4.281		4.780
Current liabilities	(8)				
Current portion of finance lease liabilities		955		913	
Trade creditors		387		445	
Payable to group companies		0		7	
Payables to other related parties		4		4	
Taxes and social securities		67		21	
Accruals and deferred income		1.521		2.507	
			2.934		3.897
			32.102		33.583

- This document is signed digitally -

Reddy Netherlands B.V.
in Leiden

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR 2018/2019

		2018/2019		2017/2018	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
Gross margin			11.073		12.215
Costs					
Employee expenses	(10)	4.303		5.144	
Depreciation/Amortization	(11)	3.825		3.911	
Other operating expenses	(12)	2.319		2.214	
			10.447		11.269
Operating result			626		946
Financial income and expenses	(13)		-633		-569
Result before tax			7		377
Taxation	(14)		-12		-4
Result after tax			-19		373

Ne [illegible]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Activities

Reddy Netherlands B.V. and its group companies are pharmaceutical companies specialised in the controlled release, development, formulation, and manufacturing of injectable products.

Reddy Netherlands B.V. and its group companies offer 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.

Registered address

The registered and actual address of Reddy Netherlands B.V. (CoC file 33289445) is Zernikedreef 12 in Leiden

Group structure

The consolidated financial statements of Reddy Netherlands B.V. include the financial statements of Reddy Netherlands B.V. and its participations in the group companies as mentioned under "List of participating interests - Consolidated subsidiaries".

The consolidated financial statements are based on the accounting principles of Reddy Netherlands B.V. The individual financial statements of the group companies are fully integrated in the consolidated financial statements, taking into account the elimination of the mutual debts, assets and transactions.

LIST OF PARTICIPATING INTERESTS

Name, statutory registered office	Share in issued capital	Included in consolidation
	%	
Dr. Reddy's Research and Development B.V. **Leiden**	100,00	Yes
Dr. Reddy's Laboratories B.V. **Leiden**	100,00	Yes

Consolidation principles

Financial information relating to group companies and other legal entities which are controlled by Reddy Netherlands B.V. has been consolidated in the financial statements of Reddy Netherlands B.V. The consolidated financial statements have been prepared in accordance with the accounting principles of Reddy Netherlands B.V.

- This document is signed digitally

Reddy Netherlands B.V.
in Leiden

GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are prepared in accordance with Part9 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.

Continuity

These financial statements have been prepared on the basis of the going concern assumption. Although the company is mainly dependent on one client (intercompany), 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.

Changes in accounting policies

Due to the fact that the company issues 403-guarantees for its subsidiaries and therefore is required to prepare consolidated financial statements, it has been decided to value the participations at net asset value instead of historical cost. As a result of this change of accounting policies, both goodwill and intellectual property are now recognized in the balance sheet. In view of comparability the prior year figures have been restated. The effect on equity as per April 1st, 2017 is € - 14 062K. The effect on the result for 2017/2018 is € -3.317K and for 2018/2019 € - 101K. The effect on future results is difficult to determine since it fully depends on the operating results of the subsidiaries.

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.

Translation of foreign 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.

The depreciation percentage on the intangible fixed assets:
Customer contract & relationships: 20%
Development costs: 5% (Amortization commences from the launch of the project)
Intellectual property: 10%
Goodwill: 5%

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.
Depreciation rates

The depreciation percentage on the tangible fixed assets
Land 5%
Plant and equipments 10-33%
Furniture 20-33%
Assets under construction 0%

Financial fixed assets

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of the net asset value. This net asset value is based on the same accounting principles as applied by Reddy Netherlands B.V. Participating interests with a negative net asset value are valued at nil. In the case that the company fully or partly guarantees for the debts of the respective participating interest, a provision is recognised.

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.

This document is signed digitally -

Impairment of non-current assets

On each balance sheet date, the company assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.
An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the realisable value and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

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.

Provisions

A provision is recognised when the company has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are valued at nominal value.

Other provisions

Provision subsidiaries

The provision is recognized for the amount of the expected payments due to the on behalf of the company relating to its subsidiaries.

The provisions have mainly a long-term character.

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.

- this document is signed digitally -

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.

Net turnover

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 tendered 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 tot 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.

Gross margin on turnover/Gross margin

The gross margin on turnover comprises net turnover, cost of sales and cost of outsourced work and other external charges

Pension expenses

In the financial statements the pension obligation is presented based on the "obligation to the pension fund"-methodology.

- This document is signed digitally -

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

Amortization on intangible fixed assets is calculated by using a fixed rate on the acquisition costs or costs of conversion.
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.

Share in result from investments in participating interests

The share in the result of associates consists of the share of the group in the result of these associates. This result is based on the accounting principles applied by Reddy Netherlands B.V.
Results on transactions, where the assets and liabilities transfer between the group and the participating interests and mutually between non-consolidated participating interests themselves, are not recognised as they can be deemed as not realised. The results of participating interests acquired or sold during the financial year are stated in the group result from the date of acquisition or until the date of sale respectively.
Dividends received from participating interests is accounted for in the profit and loss account as financial income.

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.

The entity, which has a recent history of tax losses, recognizes deferred tax assets arising from unused tax losses or tax credits only to the extent that the relevant fiscal unity has sufficient taxable temporary differences and there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by that fiscal unity. Management's judgement is that such convincing evidence is currently available to record one year of deferred tax assets.

The corporate income tax at the subsidiary is calculated as if the subsidiary is independantly liable to pay taxes. Deferred taxes recognised at the subsidiary are in fact deferred receivables and/or deferred liabilities towards the parent company.

PRINCIPLES FOR PREPARATION OF THE CASH FLOW STATEMENT

In accordance with Dutch GAAP (360.104) no cash flow statement is included, as the figures of Reddy Netherlands B.V. and its group companies are fully included in the figures of Dr. Reddy's Laboratories Ltd. in India (as available online on https://www.drreddys.com/).

NOTES TO THE BALANCE SHEET AS AT 31 MARCH 2019

1. Intangible fixed assets

	Customer contract & relationships	Development costs	Intellectual property	Goodwill	Total
	X € 1.000	X € 1.000	X € 1.000	X € 1.000	X € 1.000
Book value as at 1 April 2018					
Acquisition costs	4.394	5.112	7.342	16.572	33.420
Accumulated amortization	-4.394	0	-3.671	-4.143	-12.208
	0	5.112	3.671	12.429	21.212
Changes					
Mutation development costs	0	2.203	0	0	2.203
Amortization	0	0	-734	-829	-1.563
	0	2.203	-734	-829	640
Book value as at 31 March 2019					
Acquisition costs	4.394	7.315	7.342	16.572	35.623
Accumulated amortization	-4.394	0	-4.405	-4.972	-13.771
	0	7.315	2.937	11.600	21.852

This document is signed digitally

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 2018					
Acquisition costs	8.585	19.978	1.278	282	30.124
Accumulated depreciation	-4.786	-16.538	-1.165	0	-22.489
	3.799	3.440	113	282	7.635
Changes					
Investments	125	261	132	19	537
Depreciation/Amortization	-414	-1.785	-63	0	-2.262
Reclassification	282	0	0	-282	0
Other changes	-42	-181	-6	0	-229
	-49	-1.705	63	-263	-1.954
Book value as at 31 March 2019					
Acquisition costs	8.992	20.239	1.410	19	30.661
Accumulated depreciation	-5.242	-18.504	-1.234	0	-24.980
Carrying amount as of 31 March 2019	3.750	1.735	176	19	5.681

3. Financial fixed assets

	31-3-2019	31-3-2018
	X € 1.000	X € 1.000
Associates		
OOO DRS, Moscow	0	525

The shares in this subsidiary have been sold during 2018/2019.

4. Trade and other receivables

Trade debtors		
Trade debtors	89	146
Intercompany receivables	1.701	2.591
Provision for bad debts	-75	-75
	1.715	2.662
Taxes and social securities		
Corporate income tax	439	439
VAT	90	106
Payroll and social securities charges	29	0
Pension charges	32	0
	590	545
Other receivables, prepayments and accrued income		
Prepaid expenses	503	152
Accrued income	0	67
Others	0	3
	503	222

5. Cash and cash equivalents

ABN AMRO Bank N.V.	1.759	782
Fortis Bank	2	0
Cash	0	1
	1.761	783

6. Equity

For the note on shareholders' equity we refer to the notes on the company balance sheet on page 31 of this report.

7. Non-current liabilities

	31-3-2019	31-3-2018
	X € 1.000	X € 1.000
Finance lease liabilities		
Finance lease liabilities	4.281	4.780

Finance lease liabilities decreased to € 4 780 (x 1.000) (2017/2018 € 5.237 (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

Current portion of finance lease liabilities		
Financial lease	955	913
Trade creditors		
Trade creditors	387	445

	31-3-2019	31-3-2018
	X € 1.000	X € 1.000
Taxes and social securities		
Corporate income tax	0	1
Payroll and social securities charges	0	20
Other taxes	67	0
	67	21
Accruals and deferred income		
Accruals and deferred income	1	11
Collaterals from customers	363	437
Audit fee	8	5
Consultancy fees	0	4
Other current liabilities	1.149	2.051
	1.521	2.508

Off-balance sheet commitments

Contingent liabilities

Tax entity

Reddy Netherlands B.V. and its group companies form a fiscal unity (VAT and corporate income tax) with Reddy Netherlands B.V. as the head. As a result of the fiscal unity, each company is jointly and severally liable for the related tax liabilities of the entire fiscal unity.

Bank(er's) guarantee

Bank guarantees at 31 March 2019 amounted to € 339.534,38 (2017/2018, € 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 group has made material capital commitments of € 55.000 as at 31 March 2019 (31 March 2018: € 291.000)

Off-balance sheet commitments

Long-term financial obligations

Rental commitments building

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.

-This document is signed digitally-

NOTES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR 2018/2019

9. Net turnover
The revenues decreased in 2018/2019 compared to 2017/2018 with 14,2%.

	2018/2019	2017/2018
	X € 1.000	X € 1.000
10. Employee expenses		
Wages and salaries	3.274	3.868
Social security charges	663	766
Pension expenses	230	247
Other personnel expenses	136	263
	4.303	5.144

The salaries are net of WBSO subsidies of € 634 (x 1.000) (2017/2018, € 975 (x 1.000))

Emoluments of directors and supervisory directors

The remuneration of directors (including pension obligations) which were charged in 2018/2019 amount to € 341k (2017/2018: € 336k).

Staff

During the 2018/2019 financial year, the average number of employees in the Group , converted into full-time equivalents, amounted to 72 (2017/2018: 88).

	2018/2019	2017/2018
The breakdown is as follows:		
Management	2,0	2,0
Finance and HR	3,0	3,0
Operations	14,0	18,0
Development	53,0	65,0
	72,0	88,0

	2018/2019	2017/2018
	X € 1.000	X € 1.000
11. Depreciation/Amortization		
Intangible fixed assets	1.563	1.563
Tangible fixed assets	2.262	2.348
	3.825	3.911

This document is signed digitally

	2018/2019	2017/2018
	X € 1.000	X € 1.000
Amortization intangible fixed assets		
Intellectual property	734	734
Goodwill	829	829
	1.563	1.563
Depreciation tangible fixed assets		
Land and buildings	414	385
Plant and equipments	1.785	1.928
Furniture	63	35
	2.262	2.348
12. Other operating expenses		
Other personnel expenses	349	388
Accommodation expenses	846	804
Office expenses	241	169
Selling and distribution expenses	2	0
Repair and maintenance	230	220
General expenses	651	633
	2.319	2.214
Other employee expenses		
Work wear	16	17
Other employment costs	333	371
	349	388
Accommodation expenses		
Rent	254	257
Energy and water costs	364	325
Other accommodation expenses	228	222
	846	804
Office expenses		
Printed matter	29	30
Telephone	38	48
Other office supplies	174	91
	241	169

- This document is copyright -

	2018/2019	2017/2018
	X € 1.000	X € 1.000
Selling expenses		
Publicity and advertisement	2	0
General expenses		
Management fee	0	4
Audit fee	54	60
Accounting fee	0	49
Consultancy fee	312	179
Legal charges	2	14
Insurances	59	78
Other general expenses	224	249
	651	633
13. Financial income and expenses		
Finance leases	-619	-621
Foreign exchange	-2	65
Other interest income and expenses	-12	-13
	-633	-569
Other interest income and expenses		
Bankcharges	12	13
14. Taxation		
Corporate income tax	12	4

BALANCE SHEET AS AT 31 MARCH 2019
(after appropriation of result)

		31 March 2019		31 March 2018	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
ASSETS					
Fixed assets					
Intangible fixed assets	(15)				
Intellectual property		2.937		3.671	
Goodwill		11.600		12.429	
			14.537		16.100
Financial fixed assets	(16)				
Subsidiaries		3.356		0	
Loans to group companies		7.986		11.282	
			11 342		11.282
Current assets					
Trade and other receivables	(17)				
Taxes and social securities		1		3	
Other receivables, prepayments and accrued income		0		3	
			1		6
Cash and cash equivalents	(18)		50		31
			25.930		27.419

		31 March 2019		31 March 2018	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
EQUITY AND LIABILITIES					
Shareholders' equity	(19)				
Issued share capital		18		18	
Share premium reserve		39.087		39.087	
Other reserves		-14.218		-14.199	
			24.887		24.906
Provisions	(20)				
Other provisions			1.038		2.500
Current liabilities	(21)				
Payable to group companies		0		7	
Taxes and social securities		0		1	
Accruals and deferred income		5		5	
			5		13
			25.930		27.419

PROFIT & LOSS ACCOUNT FOR THE YEAR 2018/2019

		2018/2019		2017/2018	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
Costs					
Depreciation/Amortization	(22)	1.563		1.563	
Other operating expenses	(23)	46		61	
			1.609		1.624
Operating result			-1.609		-1.624
Financial income and expenses	(24)		140		193
Result before tax			-1.469		-1.431
Taxation	(25)		-12		-4
			-1.481		-1.435
Share in result of participating interests	(26)		1.462		1.808
Result after tax			-19		373

This document is signed digitally

PRINCIPLES FOR THE VALUATION OF ASSETS AND LIABILITIES AND THE DETERMINATION OF THE RESULT

The company financial statements have been prepared in accordance with Title 9 Book 2 of the Dutch Civil Code.

For the general accounting principles for the preparation of the financial statements, the principles of valuation of assets and liabilities and the determination of the result, as well as for the notes to the assets and liabilities and the results, we refer to the notes in the consolidated financial statements, if there is no further explanation provided.

Where necessary, the figures for 2017/2018 have been reclassified in order to permit comparability with 2018/2019.

- no rights can be derived from this document -

NOTES TO THE BALANCE SHEET AS AT 31 MARCH 2019

15. Intangible fixed assets

	Customer contract & relationships	Intellectual property	Goodwill	Total
	X € 1.000	X € 1.000	X € 1.000	X € 1.000
Book value as at 1 April 2018				
Acquisition costs	4.394	7.342	16.572	28.308
Accumulated amortization	-4 394	-3.671	-4.143	-12.208
	0	3.671	12.429	16 100
Changes				
Amortization	0	-734	-829	-1 563
Book value as at 31 March 2019				
Acquisition costs	4.394	7 342	16.572	28 308
Accumulated amortization	-4.394	-4.405	-4 972	-13.771
	0	2 937	11.600	14.537

16. Financial fixed assets

	31-3-2019	31-3-2018
	X € 1.000	X € 1.000
Subsidiaries		
Dr. Reddy's Laboratories B.V.	3.356	0
Loans to group companies		
Dr Reddy's Research and Development B.V.	7.986	11.282

17. Trade and other receivables

	31-3-2019	31-3-2018
	X € 1.000	X € 1.000
Taxes and social securities		
VAT	1	3
Other receivables, prepayments and accrued income		
Others	0	3

18. Cash and cash equivalents

ABN AMRO Bank N.V.	47	31
Fortis Bank	2	0
	49	31

- Ry documents signed digitally

19. Shareholders' equity

	31-3-2019	31-3-2018
	X € 1.000	X € 1.000
Issued share capital		
52.673.974 ordinary shares at a par value of € 0,12	18	18

The statutory share capital amounts to € 9.600.000.

	2018/2019	2017/2018
	X € 1.000	X € 1.000
Share premium reserve		
Balance as at 1 April	39.087	39.087
Balance as at 31 March	39.087	39.087
Other reserves		
Balance as at 1 April	-14.199	-511
Effect of change in accounting principles	0	-14.062
Restated balance as at 1 April 2018	-14.199	-14.573
Appropriation of the net result	-19	373
Balance as at 31 March	-14.218	-14.200

Appropriation of loss

According to legislation the loss of 2018/2019 amounting to € 19.047 is deducted from the other reserves. The appropriation of loss has been incorporated in the financial statements.

20. Provisions

Other provisions

	31-3-2019	31-3-2018
	X € 1.000	X € 1.000
Provision subsidiaries		
Provision for participation Dr. Reddy's Research and Development B.V.	1.038	2.500

21. Current liabilities

	31-3-2019	31-3-2018
	X € 1.000	X € 1.000
Payable to group companies		
Dr. Reddy's Research and Development B.V.	0	7
Taxes and social securities		
Corporate income tax	0	1
Accruals and deferred income		
Other current liabilities	4	6

SECURITIES

Off-balance sheet commitments

Contingent liabilities

Several liability in accordance with article 2:403 of the Dutch Civil Code.

The company has issued declarations of joint and several liability for debts arising from the actions of Dutch consolidated participating interests Dr. Reddy's Research and Development B.V. and Dr. Reddy's Laboratories B.V. in accordance with article 2:403 of the Dutch Civil Code. The company is therefore jointly and several liable for all ensuing from any legal acts of these group companies

- This document is signed digitally -

NOTES TO THE COMPANY PROFIT & LOSS ACCOUNT FOR THE YEAR 2018/2019

	2018/2019	2017/2018
	X € 1.000	X € 1.000
22. Depreciation/Amortization		
Intangible fixed assets	1.563	1.563
Amortization intangible fixed assets		
Intellectual property	734	734
Goodwill	829	829
Total	1.563	1.563
23. Other operating expenses		
General expenses	47	62
General expenses		
Management fee	0	4
Accounting fee	0	49
Consultancy fee	47	-5
Legal charges	0	14
	47	62
24. Financial income and expenses		
Foreign exchange	0	53
Other interest income and expenses	140	140
	140	193
Other interest income and expenses		
Interest expense Dr. Reddy's Research and Development B.V.	-142	-142
Bankcharges	2	2
	-140	-140
25. Taxation		
Corporate income tax	12	4

-this document is signed digitally-

26. Share in result of participating interests

	2018/2019	2017/2018
	X € 1.000	X € 1.000
Share in result of Dr. Reddy's Research and Development B.V.	1.462	1.808

Signature directors

Leiden, 15 May 2019

S. Reddy

R. Friedrichs

R. Verrijk

Reddy Netherlands B.V.
in Leiden

26. Share in result of participating interests

	2018/2019	2017/2018
	X € 1.000	X € 1.000
Share in result of Dr. Reddy's Research and Development B.V.	1.462	1.806

Signature directors

Leiden, 15 May 2019

S. Reddy

R. Friedrichs

R. Verrijk

This document is signed digitally

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.

- No rights can be derived from this -

GrantThornton

INDEPENDENT AUDITOR'S REPORT

To: Board of directors of Reddy Netherlands B.V. registered at Leiden

A. Report on the audit of the financial statements 2018/2019 included in the annual report

Our opinion

We have audited the financial statements 2018/2019 of Reddy Netherlands B.V., based in Leiden.

In our opinion the accompanying financial statements as stated from page 7 to page 35 give a true and fair view of the financial position of Reddy Netherlands B.V. as at 31 March 2019 and of its result for 2018/2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.
The financial statements comprise:

1. the consolidated and the company balance sheet as at 31 March 2019;
2. the consolidated and the company profit and loss account for 2018/2019 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 Reddy Netherlands B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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.

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.

Alle diensten en opdrachten

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 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 detect all material 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.

This document is signed digitally

GrantThornton

Reddy Netherlands B.V.
in Leiden

We have exercised professional judgement 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 www.nba.nl/ENG_algemeen_01

Rotterdam, 15 May 2019

Grant Thornton Accountants en Adviseurs B.V.

drs. M.P. van Rijssel RA

REDDY PHARMA IBERIA, S.A. SOLE SHAREHOLDER

ANNUAL REPORT

CLOSED ON

31 March 2019

REDDY PHARMA IBERIA, S.A.U.
ABRIDGED BALANCE SHEET AS OF 31 MARCH 2019 AND 2018
(Expressed in Euros)

ASSET	Note	31/03/2019	31/03/2018
NON-CURRENT ASSETS		**121,629.15**	**99,188.17**
Intangible assets	**6**	**108,025.63**	**92,306.58**
Tangible fixed assets	**5**	**4,980.62**	**2,531.26**
Long-term financial investments	**8**	**8,622.90**	**4,350.33**
Other financial assets		8,622.90	4,350.33
CURRENT ASSETS		**1,138,930.63**	**958,334.08**
Stock	**7**	**687,500.66**	**695,174.44**
Trade and other receivables		**270,697.68**	**131,855.46**
Trade Receivables for Sales and Services	**8**	201,964.19	85,231.20
Other receivables	**8**	5,400.00	500.00
Other receivables from Public Administrations	**11**	63,333.49	46,124.26
Current tax assets		0.00	0.00
Short-term financial investments	**8**	**22,429.09**	**28,983.76**
Cash and cash equivalents		**158,303.20**	**102,320.42**
Cash		158,303.20	102,320.42
TOTAL ASSETS		**1,260,559.78**	**1,057,522.25**

NET WORTH AND LIABILITIES	Note	31/03/2019	31/03/2018
NET WORTH		**572,435.17**	**31,620.96**
Equity		**572,435.17**	**31,620.96**
Capital	**10**	**60,000.00**	**9,066,000.00**
Subscribed capital		60,000.00	9,066,000.00
Reserves	**10**	**-28,379.04**	**-50,487.53**
Legal and statutory		-28,379.04	-50,487.53
Results from previous years	**10**	**0.00**	**-8,442,142.50**
Other shareholder contributions	**10**	**1,500,000.00**	**0.00**
Financial Year Results	**3**	**-959,185.79**	**-541,749.01**
CURRENT LIABILITIES		**688,124.61**	**1,025,901.29**
Trade and other debts		**688,124.61**	**1,025,901.29**
Providers	**9**	137,771.42	75,995.37
Providers, group and associated companies	**9**	462,773.34	894,129.79
Other creditors	**9**	49,225.67	30,506.67
Other debts to Public Administrations	**11**	38,354.18	25,269.46
TOTAL NET WORTH AND LIABILITIES		**1,260,559.78**	**1,057,522.25**

REDDY PHARMA IBERIA, S.A.U.

ABRIDGED PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED 31 MARCH 2019 AND 2018
(Expressed in Euros)

	Note	31/03/2019	31/03/2018
ONGOING OPERATIONS			
Net revenues	**12**	**801,958.34**	**329,454.52**
Sales		801,958.34	329,454.52
Provision of services		0.00	0.00
Supplies	**12**	**-641,340.87**	**-217,313.60**
Change in inventory		-641,340.87	-217,313.60
Staff costs	**12**	**-503,759.31**	**-316,625.84**
Wages, salaries and similar expenses		-399,469.15	-258,985.92
Social security payable by the company		-82,787.12	-45,891.67
Other benefits		-21,503.04	-11,748.25
Other operating costs	**12**	**-602,788.67**	**-335,682.64**
Depreciation of fixed assets	**6 and 12**	**-13,507.14**	**-1,581.06**
OPERATING REVENUE		**-959,437.65**	**-541,748.62**
Financial income		**251.86**	**8.67**
From tradable securities and other financial instruments		251.86	8.67
From third parties		251.86	8.67
Financial expenses		**0.00**	**-9.06**
FINANCIAL RESULT		**251.86**	**-0.39**
RESULT BEFORE TAXES		**-959,185.79**	**-541,749.01**
Tax on profits			
PROC. FOR FISCAL YEAR RESULT ONGOING OPERATIONS		**-959,185.79**	**-541,749.01**
FINANCIAL YEAR RESULTS	**3**	**-959,185.79**	**-541,749.01**

REDDY PHARMA IBERIA, S.A.U.
STATEMENT OF CHANGES IN EQUITY AS OF 31 MARCH 2018 AND 2017
(Expressed in Euros)

A) ABBREVIATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

		Year ended 31 March	
	Note	**2019**	**2018**
Result of the profit and loss account	**3**	**-959,185.79**	**-541,749.01**
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 EXPENSES		**-959,185.79**	**-541,749.01**

B) ABBREVIATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital	**Reserves**	**Results from previous years**	**Other shareholder contributions**	**Financial Year Results**	**TOTAL**
	(Note 10)	**(Note 10)**	**(Note 10)**	**(Note 10)**	**(Note 3)**	
BALANCE AS OF 31 MARCH 2015	**9,066,000.00**	**-50,487.53**	**-8,515,952.06**	**0.00**	**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**	**0.00**	**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	0.00
BALANCE AS OF 31 MARCH 2017	**9,066,000.00**	**-50,487.53**	**-8,288,103.98**	**0.00**	**-154,038.52**	**573,369.97**
Total recognised income and expense					-541,749.01	-541,749.01
Other changes in equity			-154,038.52		154,038.52	0.00
BALANCE AS OF 31 MARCH 2018	**9,066,000.00**	**-50,487.53**	**-8,442,142.50**	**0.00**	**-541,749.01**	**31,620.96**
Total recognised income and expense					-959,185.79	-959,185.79
Reductions in capital	-9,006,000.00	22,108.49	8,442,142.50		541,749.01	0.00
Other transactions with partners or owners				1,500,000.00		1,500,000.00
Other changes in equity						0.00
BALANCE AS OF 31 MARCH 2019	**60,000.00**	**-28,379.04**	**0.00**	**1,500,000.00**	**-959,185.79**	**572,435.17**

REDDY PHARMA IBERIA, S.A. SOLE SHAREHOLDER

REPORT OF THE ABBREVIATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

1. BUSINESS ACTIVITY

REDDY PHARMA IBERIA, S.A.U, was constituted as a limited company on 18 May 2006. Its registered place of business is currently in Barcelona, Avenida de Josep Tarradellas, 38.

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), registered as such in Madrid's Trade Registry, stating the identity of its Sole Shareholder.
The Company is part of a group of companies led by Dr. Reddy's Laboratories Limited which has its headquarters in India, with Dr. Reddy's Laboratories SA which has its headquarters in Basilea (Switzerland) being its sole Shareholder.

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, and its latest modifications, 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 Sole Shareholder.

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 under the operating company's principle, having in this fiscal year exceeded the cause of dissolution that occurred in the previous year by means of a capital reduction for loss compensations (see note 10). 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 2019 in accordance with the structure established in the General Accounting Plan. 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 1/2010 of Royal Legislative Decree 2 of 261 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	(959,185.79)

TOTAL	**(959,185.79)**
APPLICATION	
Income from previous financial years	**959,185.79**
TOTAL	**959,185.79**

4. VALUATION RULES

The valuation rules used by the Company in the preparation of its annual accounts for the year ended 31 March 2019, 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 extensions or improvements 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. Intangible assets

The criteria contained in the regulations, relating to tangible fixed assets, will be applied to intangible fixed assets.
For the intangible asset to be initially recognised, in addition to complying with the asset definition and the accounting criteria or recognition contained in the Conceptual Framework of Accounting it is necessary that it meets the identifiability criterion, implying that the asset must meet one of the following two requirements:

a) It must be separable
b) It must arise from legal or contractual rights.

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:

Administrative concessions.....20%

Intangible fixed assets are depreciated from the month following acquisition.

4.3. 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.

4.4. 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.

4.5. Foreign currency transactions

The conversion 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.

4.6. 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.

4.7. 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.

4.8. Staff costs

Staff costs are recorded at their gross amount.

4.9. 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 2019 are as follows:

Account No.	Name	Balance 31/03/2018	Inflows	Outflows/Withdrawals	Balance 31/03/19
217	Data processing equipment	5,274.46	4,503.81	0.00	9,778.27
	Total	**5,274.46**	**4,503.81**	**0.00**	**9,778.27**

The information based on amortization by cost elements is as follows:

Account No.	Name	Balance 31/03/2018	Depreciation due to amortisation	Withdrawal costs	Balance 31/03/19
2817	Data processing equipment	(2,743.20)	(2,054.45)	0.00	(4,797.65)
	Total	**(2,743.20)**	**(2,054.45)**	**0.00**	**(4,797.65)**

The net book value as of 31 March 2019 is 4,980.62 euros (2,531.26 euros on 31 March 2018)

6. INTANGIBLE ASSETS

The detail and composition of the items that make up the Intangible Fixed Assets at the close of the years ended 31 March 2019 are as follows:

Account No.	Name	Balance 31/03/2018	Inflows	Outflows/Withdrawals	Balance 31/03/19
209	Advances for intangible assets	92,306.58	50,126.85	(134,080.43)	8,353.00
	Total	**92,306.58**	**50,126.85**	**(134,080.43)**	**8,353.00**

Corresponds to the royalties for licenses for the sale of medicines, which are capitalized on the date of granting the licensed products' trading authorization. They are amortised according to the years stipulated in the contract.

Account No.	Name	Balance 31/03/2018	Inflows	Outflows/Withdrawals	Balance 31/03/19
202	Administrative concessions	0.00	111,125.32	0.00	111,125.32
	Total	**0.00**	**111,125.32**	**0.00**	**111,125.32**

Account No.	Name	Balance 31/03/2018	Depreciation due to amortisation	Withdrawal costs	Balance 31/03/19
2802	Administrative concessions	0.00	-11,452.69	0.00	-11,452.69
	Total	**0.00**	**-11,452.69**	**0.00**	**-11,452.69**

The net book value as of 31 March 2019 is 108,025.63 euros

7. STOCK

The detail of stock as of 31 March is as follows:

Account No.	Name	Balance 31/03/2019	Balance 31/03/2018
3000	Commercial stocks	687,500.66	695,174.44
	Total	**687,500.66**	**695,174.44**

8. FINANCIAL ASSETS

The breakdown of this subsection at 31 March 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 18-19	FY 17-18	FY 18-19	FY 17-18	FY 18-19	FY 17-18	FY 18-19	FY 17-18	FY 18-19	FY 17-18	FY 18-19	FY 17-18	FY 18-19	FY 17-18
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	8,622.90	4,350.33	0.00	0.00	0.00	0.00	229,793.28	114,714.96	238,416.18	119,065.29
I. Long-term financial investments	0.00	0.00	0.00	0.00	8,622.90	4,350.33	0.00	0.00	0.00	0.00	0.00	0.00	8,622.90	4,350.33
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	207,364.19	85,731.20	207,364.19	85,731.20
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	22,429.09	28,983.76	22,429.09	28,983.76
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
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**	**8,622.90**	**4,350.33**	**0.00**	**0.00**	**0.00**	**0.00**	**229,793.28**	**114,714.96**	**238,416.18**	**119,065.29**

9. FINANCIAL LIABILITIES

The breakdown of this subsection at 31 March 2019 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 18-19	FY 17-18	FY 18-19	FY 17-18	FY 18-19	FY 17-18	FY 18-19	FY 17-18	FY 18-19	FY 17-18	FY 18-19	FY 17-18	FY 18-19	FY 17-18
Debits and payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	649,770.43	1,000,631.83	649,770.43	1,000,631.83
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	0.00	0.00	0.00
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	0.00	0.00	0.00
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	462,773.34	894,129.79	462,773.34	894,129.79
VI. Various creditors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	137,771.42	75,995.37	137,771.42	75,995.37
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	49,225.67	30,506.67	49,225.67	30,506.67
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	0.00	0.00	0.00
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	0.00	0.00	0.00	0.00
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**	**649,770.43**	**1,000,631.83**	**688,124.61**	**1,000,631.83**

10. EQUITY

The balances and movements of equity during the year ended 31 March were as follows:

Euros	Capital Subscribed	Reserves	Results previous financial years	Others: Shareholder contributions	Result Financial year	Total
Balance as at 31/03/2018	9,066,000.00	-50,487.53	-8,442,142.50	0.00	-541,749.01	31,620.96
Capital reduction	-9,006,000.00	22,108.49	8,442,142.50		541,749.01	0.00
Other transactions with partners or owners				1,500,000.00		1,500,000.00
Fiscal year result 2018-2019					-959,185.79	-959,185.79
Balance as at 31/03/2019	60,000.00	-28,379.04	0.00	1,500,000.00	-959,185.79	572,435.17

In the current fiscal year and in view of the Company's Abbreviated Annual Accounts corresponding to the fiscal years closed as of 31 March 2017 and 31 March 2018, the Sole Shareholder took account of the obligation to reduce the share capital account that had accumulated losses and had decreased the net worth below two thirds of the capital figure, having also passed at least one fiscal year without having recovered the net equity.
To resolve the aforementioned cause of dissolution in which the Company incurred, the Sole Shareholder decided to reduce the share capital in accordance with the following terms:
The Sole Shareholder decided to reduce the share capital, which was set at 9,066,000.00 -euros, by the amount of 8,983,891.51 -euros, on the basis of which this share capital will have a nominal value of 82,108.49 -euros.
The purpose of this capital reduction is to restore the balance between the capital and the net worth of the Company, reduced as a result of accumulated losses. Of the total amount reduced, 8,442,142.50 -euros are due to negative results from previous years; while 541,749.01 -euros correspond to the result of the fiscal year closed as of 31 March 2018.
The capital reduction is carried out by reducing the nominal value of all the shares representing the capital stock of the Company, affecting all of them equally in proportion to their nominal value. Thus the nominal value of each of the 9,066.000 shares in which the share capital that was fixed at 1.00 -euro each is divided, is reduced by the amount of 0.990943 -euros, so that the nominal value becomes 0.009057 -euros per share and 82.108.49 -euros for the total share capital.
Similarly and also from the balance sheet closed on 31 March 2018, the Sole Shareholder took account of the fact that the legal reserve of the Company did not meet the parameters set forth in article 274 of the TRLSC, whose amount was negative and amounted to 50,487.53- euros.
Consequently, the Sole Shareholder decided to reduce the Company's share capital to increase the legal reserve in the following terms :
The Sole Shareholder decided to reduce the share capital, set at 82,108.49 -euros, by the quantity of
22,108.49 -euros, on the basis of which this share capital will have a nominal value of 60.000.00 -euros.
This reduction in capital, as has already been said, is aimed at increasing the legal reserve, which amounted to 50,487.53 -euros negative balance, so that after the reduction in capital, it will be 28,379.04 -euros also negative balance but reducing thus the difference with respect to the minimum established in the aforementioned article 274 of the TRLSC. This new capital reduction is also carried out with the aim of minimizing the share capital in such a way that it minimizes the future possible risk of dissolution occurring again.
The capital reduction is carried out by reducing the nominal value of all the 9,066.000 shares in which the Company's capital stock is divided- thereby affecting all of them equally, in proportion to their nominal value- currently set at 0.009057- euros per share reducing them by the amount of 0.002439 -euros, so that the nominal value of each of the 9,066.000 shares

will be 0.006618 -euros.

Consequently, the *subscribed share capital* on 31 March 2019 consisted of nine million and sixty-six thousand shares (9,066,000) with nominal value of 0,006618 cents of euro each, accumulative and indivisible. The share capital is fully disbursed.

Similarly, the Sole Shareholder decides to make a direct contribution to the Company's own funds by the amount of 1,500,000.00 -euros. This contribution is made with the purpose of providing the Company with liquidity for its normal activity, handle payments to creditors and strengthening its equity position from an accounting point of view, trying to avoid the situation foreseen in article 363.1 e) of the TRLSC. This transaction does not entail an increase in the share capital.

11. PUBLIC ADMINISTRATIONS AND FISCAL POSITION

11.1. Public Administrations

The breakdown of the balances related to tax assets and liabilities at the end of the year ended 31 March is as follows:

	Balance 31/03/2019	Balance 31/03/2018
1. Other debts to Public Administrations	**38,354.18**	**25,269.46**
a) Personal Income Tax payable to Tax Office	30,563.43	19,634.85
b) Value Added Tax payable to Tax Office	0.00	0.00
c) Payable to Social Security	7,790.75	5,634.61
2. Other receivables from Public Administrations	**63,333.49**	**46,124.26**
a) Value Added Tax receivable from Tax Office	63,333.49	46,124.26
b) Other Tax Office Items	0.00	0.00

11.2. Fiscal Position

According to current legal tax provisions, tax settlements cannot be considered definitive until they have been inspected by the tax authorities or the statute of limitations has elapsed, currently set at four years. The Company maintains the last four fiscal years for inspection by the tax authorities for all applicable taxes. In the opinion of the Company's directors, as well as its tax advisors, there are no significant tax contingencies that could arise, in the event of inspection, from different possible interpretations of the tax regulations applicable to the transactions carried out by the Company.

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.

The reconciliation between the accounting profit and the taxable income as of 31 March , will be as follows:

	31/03/2019	31/03/2018
ACCOUNTING PROFIT before tax	**-959,185.79**	**-541,749.01**
Permanent Differences	19,752.72	0.00
Non tax deductible expenses	18,629.92	0.00
Fines and surcharges	1,122.80	0.00
Temporary Differences (*of a temporary nature*)	38,434.50	7,902.26
Depreciations	359.10	395.26
Depreciation Reversion	-78.18	0.00
Depreciation Excess Software	20,000.00	0.00
Bonus Yr 18-19	48,660.58	30,507.00
Bonus Reversion yr 17-18	-30,507.00	-23,000.00
Tax base before BINS compensation	**-900,998.57**	**-533,846.75**
Negative taxable income compensation		
Taxable income for the year	**-900,998.57**	**-533,846.75**

At the end of the year ended 31 March 2019, the Company has negative taxable income pending compensation in the amount of 9,290,935.66 Euros, detailed as follows:

Financial year	Negative taxable income pending compensation
2006	53,129.45
2007	2,370,736.64
2008	2,787,415.66
2009	2,505,410.38
2016	139,398.21
2017	533,846.75
2018	900,998.57
TOTAL	**9,290,935.66**

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 60% of the previous taxable income and in any case may compensate a minimum of one million Euros.

12. INCOME AND EXPENSES

The composition of certain subsections and movements during the year ended 31 March were as follows:

Details of the profit and loss account	FY 2018 -19	FY 2017 -18
1. Revenues	801,958.34	329,454.52
a) Sale of goods	801,958.34	329,454.52
b) Provision of services	0.00	0.00
2. Consumption of goods	641,340.87	217,313.60
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	641,340.87	217,313.60
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	503,759.31	316,625.84
a) wages and salaries	399,469.15	258,985.92
b) Social Security payable by the company	82,787.12	45,891.67
c) Contributions and provisions for pensions	0.00	0.00
d) Other social expenses	21,503.04	11,748.25
5. Other operating costs	602,788.67	335,682.64
a) Losses and impairment of commercial operations	0.00	0.00
b) Other operating costs	602,788.67	335,682.64
6. Depreciation of fixed assets	13,507.14	1,581.06
7. Earnings originating outside the normal activity of the company	0.00	0.00
included in "other results"		

13. PROVISIONS AND CONTINGENCIES

Provisions are not recognised in the balance sheet of 31 March 2019 and of 2018.

14. TRANSACTIONS WITH RELATED PARTIES

The company does not own, directly or indirectly, interests in other companies.

In the fiscal year between 01 April 2018 and 31 March 2019, the company received invoices from the Company Dr Reddy's Laboratories Limited (UK) for the provision of services or purchases of goods by the amount of 691,665.74 euros (949,487.07 euros in the previous fiscal year), leaving an outstanding balance of 462,773.34 euros as of 31 March 2019 (894,129.79 euros as of 31 March 2018).

Similarly, the Company has not paid any amount to its sole Shareholder, the Swiss company

Dr. Reddy's Laboratories SA (Switzerland) in the year ended 31 March 2019.

Furthermore, during the year ended 31 March 2019, 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.

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.

15. ENVIRONMENTAL INFORMATION

As of 31 March 2019, 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 2019 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 2019.

16. 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.

17. 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 2018 -19	FY 2017 -18
Other executive personnel	4	4
Commercial, vendors and similar	3	0
TOTAL AVERAGE EMPLOYEES	**7**	**4**

The Company does not have staff with disabilities equal to or greater than 33% as of 31 March 2019 and 2018.

18. 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 2018 -19	**FY 2017 -18**
	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.

19. EVENTS OCCURRING AFTER CLOSURE

The Directors are not aware of any events occurring after 31 March 2019 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.

FORMULATION OF THE ABBREVIATED ANNUAL ACCOUNTS ENDED 2019

The Board of Directors of the Company "REDDY PHARMA IBERIA, S.A.U.", on 2 May 2019, signs the Annual Accounts for the year ended 31 March 2019.

Signature: Sameer Sudhakar Natu
President

Signature: Subir Kohli
Director

Signed.: Antonio Anguera Vila
Director

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, 2019

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 March 31, 2019, 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).

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 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. and they remained unchanged from the last financial year . There are not special reasons which would require the use of derogations under art. 2423 Comma 4.

In the financial statement drafting as of March 31, 2019 the following principles have been observed:

Courtesy translation

- It have been 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 at the financial year closing date;
- 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 the 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%.

Courtesy translation

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 financial 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 net of accumulated depreciation..

Assets that can be used independently, if their usefulness is limited to one financial year, are fully depreciated during the financial year.

Financial fixed assets
Receivables immobilized are valued on the basis of their estimated realizable value. The shareholding 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 UE 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 of Net equity 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.
Payables
Payables are stated at nominal value.

Revenues recognition

Courtesy translation

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.

Courtesy translation

ANALYSIS OF THE INDIVIDUAL ITEMS

BALANCE SHEET

ASSETS

B) FIXED ASSETS

B.I) Intangible assets

Intangible assets have exhausted the depreciation process whereby their net value at the end of the financial year is zero. There were no movements in the voice in comment compared with the agreement concluded at 31.03.2018.

Description	Intangible assets
Historical costs	35,922
Depreciation provisions	(35,922)
Net value as of 31.03.2018	-
Increments of the year	
Financial year depreciation	-
Net value as of 31.03.2019	**-**

B.II) Tangible fixed assets

Net tangible fixed assets, equal to **Euro 271**, has recorded a net decrease during the financial year of **Euro 635**. The movements in the item are shown in the following table:

Description	Tangible fixed asset
Historical costs	19,846
Depreciation provisions	(18,940)
Net value as of 31.03.2018	*906*
Increments of the year	
Adjustments/devaluations	-
Disposals	-
Financial year depreciation	(635)
Net value as of 31.03.2019	**271**

The financial year movements, broken down by asset category, are shown in the table below:

Category	Furniture	Office machines	Total
Historical costs	13,531	6,314	19,846
Depreciation provisions	(12,626)	(6,314)	(18,940)
Net value as of 31.03.2018	*906*	-	*906*

Courtesy translation

Financial year depreciation	(635)	-	(635)
Net value as of 31.03.2019	**271**	**-**	**271**

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 2,520,000**.

Although the Net equity at the 31.03.2019 of Dr. Reddy's Srl (Euro 1,519,164) is lower than the registration value of the shareholding, in compliance with the provisions of the OIC 21, the Company has chosen not to proceed with the devaluation of the shareholding because, on the basis of the analyses carried out, the weight loss of value was considered non-durable.

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 14,200,000,** whose the last one is occured during the financial year closed on March 31, 2018 for **Euro 1,750,000**.

C) CURRENT ASSET

C.II) Receivables

The receivables stated in the current assets, compared to March 31, 2018, have recordered an increase equal to **Euro 1,624,** and the balance broken down by category, is composed as follows:

Category	Balance as of 31.03.2018	Increases (Decreases)	Balance as of 31.03.2019
Tax receivables (Vat)	15,071	1,624	16,695
Tax receivables (Irap)	1,182		1,182
Total	**16,253**	**1,624**	**17,877**

There are not receivables that are filling due after five years and they are all brags to corporations or national bodies.

C.IV) Liquid assets

The composition of the item “Liquid assets” is summarized in the table below:

Courtesy translation

Category	Balance as of 31.03.2019
Bank deposits	4,183
Cash and cash equivalents	-
Liquid assets	**4,183**

D) Accrued income and prepayments

This item, equal to **Euro 684**, 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.

Courtesy translation

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	VIII. Profit/(Loss) carry forward	IX. Profit/(Loss) of the financial year	Ending balance
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		450,000			450,000
Utilization 2016/17		(656,698)	542,578	114,120	-
Profit (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**
Increases 2017/18		1,750,000			1,750,000
Utilization 2017/18		(18,962)		18,962	
Profit (Loss) of the financial year 2017/18				(15,753)	(15,753)
Net equity as of 31.03.2018	**30,000**	**2,528,875**	**-**	**(15,753)**	**2,543,122**
Increases 2018/19					
Utilization 2018/19		(15,753)		15,753	
Profit (Loss) of the financial year 2018/19				**(10,357)**	**(10,357)**
Net equity as of 31.03.2019	**30,000**	**2.513.123**	**-**	**(15,753)**	**2.532.765**

A.I) Share capital

The share capital, which is fully subscribed, amounts to ad **Euro 30,000.**
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	Other reasons
Share capital	30,000			-	-
Capital reserve:					
Quotaholder injections for losses covering	2,513,123	A,B,C		691,413	-
Profits reserve:					
Legal reserve	-				
Profits (losses) carry forward	-				
Total	**2,513,123**		**-**	691,413	-
Part not to be distributed			**10,357**		
Part that may be distributed			**2,502,765**		
Legend: A for capital increase; B for losses covering; C for quotaholders distributions					

Courtesy translation

D) Payables

As of March, 31 2019 the payables amount to **Euro 10,250**. The payables breakdown is the following:

Description	Balance as of 31.03.2018	Increases (decreseas)	Balance as of 31.03.2019	UE	Extra-UE
Payables to suppliers	8,100	2,150	10,250	10,250	-
Tax payables	304	(304)	-	-	-
Other payables	-		-	-	-
Total	**8.404**	**1.846**	**10.250**	**10.250**	**-**

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 10,250**.

ANALYSIS OF THE MAIN PROFIT AND LOSS ACCOUNT ITEMS

A) VALUE OF PRODUCTION

The value of production is zero. The Company does not realized any revenue at the financial year closing at March 31, 2019 .

B) Costs of production

Il detail of this item, equal to **Euro 10,357**, is composed as follows:

Description	31.03.2019	31.03.2018
For raw materials, subsidiary materials, consumables	-	-
For services	7,578	12,403
For rent and leases		-
Personnel costs		
a) wages and salaries		-
b) social security contribution		-
c) indemnity for termination of employment		-
Depreciation of intangible assets		
Depreciation of tangible assets	635	839
Other operating costs	2,144	2,510
Total	**10,357**	**15,752**

Courtesy translation

B.7) Costs for services
This item is mainly constituted of administrative and consulting expenses (**Euro 5,528**) and banck costs (**Euro 50**).

B.10) Depreciations and value adjustments
Financial year depreciation includes the furnitures depreciation (**Euro 635**).

D) FINANCIAL ACTIVITIES VALUE ADJUSTMENTS

This item does not include any value.

22) INCOME TAX OF THE FINANCIAL YEAR

There are no current taxes to be allocated
There are no deferred tax liabilities and in particular, it is noted that for the financial year closed as of March, 31 2019 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

It should also be noted that the Company did not receive grants, contributions, paid assignments and in any case economic benefits under L. 124/2017, art. 1, paragraph 25.

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.

Courtesy translation

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 10,357 through the reserve utilization.

Milano, il • 2019

For the Board of Directors

The President
Clemens Troches

Courtesy translation

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 2019, 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 2019;

(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: 15 May 2019

Reddy Pharma SAS
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.1 A	3,053	4,187
Other intangible assets	2.1 B	32,253	17,983
Financial assets			
Other financial assets	2.2 B	1,042	1,084
		36,348	**23,254**
Current assets			
Inventories	2.4	33,077	7,684
Financial assets			
Trade receivables	2.2 A	21,882	8,662
Cash and cash equivalents	2.2 C	4,067	9,524
Other current assets	2.3	4,193	6,187
		63,219	**32,057**
Total assets		**99,567**	**55,311**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.5	288,117	167,040
Other equity		(244,541)	(153,439)
		43,576	**13,601**
Liabilities			
Current liabilities			
Financial Liabilities			
Trade payables	2.6 B	20,284	27,251
Other financial liabilities	2.6 A	23,947	8,282
Other current liabilities	2.7	11,760	6,177
		55,991	**41,710**
Total equity and liabilities		**99,567**	**55,311**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Reddy Pharma SAS**

PSRVV Surya Rao
Partner
Membership No.: 202367

Subhir Kohli
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Reddy Pharma SAS
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Income			
Sales	2.8	42,115	9,024
Total revenue from operations		**42,115**	**9,024**
Other income	2.9	1,654	-
Total income		**43,769**	**9,024**
Expenses			
Cost of materials consumed		33,641	15,786
(Increase) / decrease in inventories of finished goods, work-in-progress and stock-in-trade	2.10	(25,393)	418
Employee benefits expense	2.11	56,031	42,570
Depreciation expense	2.12	1,217	1,499
Finance costs	2.13	45	-
Selling and other expenses	2.14	69,330	42,638
Total expenses		**134,871**	**102,911**
Loss before tax		**(91,102)**	**(93,887)**
Tax expense			
Current tax		-	-
Deferred tax		-	-
Loss for the year		**(91,102)**	**(93,887)**
Other comprehensive income (OCI)		**-**	**-**
Total comprehensive loss for the year		**(91,102)**	**(93,887)**
Earnings per share:			
Basic earnings per share of EUR 1/- each		(30.60)	(58.18)
Diluted earnings per share of EUR 1/- each		(30.60)	(58.18)

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Reddy Pharma SAS**

PSRVV Surya Rao
Partner
Membership No.: 202367

Subhir Kohli
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Reddy Pharma SAS

Statement of Changes in Equity

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

Particulars	Equity share capital	Other components of equity	Total equity
		Reserves and surplus	
		Retained earnings	
Balance as at 1 April 2018	**167,040**	**(153,439)**	**13,601**
Issue of equity shares	121,077	-	121,077
Profit for the year	-	(91,102)	(91,102)
Balance as at 31 March 2019	**288,117**	**(244,541)**	**43,576**

Particulars	Equity share capital	Other components of equity	Total equity
		Reserves and surplus	
		Retained earnings	
Balance as at 1 April 2017	**72,078**	**(59,552)**	**12,526**
Issue of equity shares	94,962	-	94,962
Loss for the year	-	(93,887)	(93,887)
Balance as at 31 March 2018	**167,040**	**(153,439)**	**13,601**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of
Reddy Pharma SAS

PSRVV Surya Rao
Partner
Membership No.: 202367

Subhir Kohli
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Reddy Pharma SAS

Statement of Cash Flow

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

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Cash flows from / (used in) operating activities		
Loss before tax	**(91,102)**	**(93,887)**
Adjustments:		
Depreciation expense	1,217	1,499
Foreign exchange loss, net	(1,313)	1,487
Finance costs	45	-
Provision for inventory obsolescence	11,436	-
Changes in operating assets and liabilities:		
Trade receivables	(13,927)	(8,464)
Inventories	(36,830)	418
Trade payables	(5,582)	15,247
Other assets and liabilities, net	24,637	4,003
Cash generated used in operations	**(111,419)**	**(79,697)**
Income tax paid, net	-	-
Net cash used in operating activities	**(111,419)**	**(79,697)**
Cash flows from / (used in) investing activities		
Purchase of property, plant and equipment	(83)	(139)
Purchase of intangible assets	(14,270)	(17,983)
Net cash used in investing activities	**(14,353)**	**(18,122)**
Cash flows from / (used in) financing activities		
Finance cost paid	(45)	-
Proceeds from issue of equity shares	121,077	94,962
Net cash from financing activities	**121,032**	**94,962**
Net decrease in cash and cash equivalents	(4,740)	(2,857)
Effect of exchange rate changes on cash and cash equivalents	(717)	2,067
Cash and cash equivalents at the beginning of the year	9,524	10,314
Cash and cash equivalents at the end of the year	**4,067**	**9,524**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Reddy Pharma SAS**

PSRVV Surya Rao
Partner
Membership No.: 202367

Subhir Kohli
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

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

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
Reddy Pharma SAS (" the Company") incorporated in France , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 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.

1.4 Significant accounting policies

a) Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
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 assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

b) 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.

c) Revenue
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes 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
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. 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.

d) 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.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

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

Note 1 Description of the Company and significant accounting policies (continued)

e) 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.

f) 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.

g) 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. General and specific 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.
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. Land is not depreciated.
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 and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .
The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.
Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. 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.

h) 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.

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

Note 1 Description of the Company and significant accounting policies (continued)

i) 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 realisable 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 realisable 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.

j) Employee benefits
Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

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

l) 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 Companny commits to purchase or sell the asset.
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.
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 and derivative financial instruments

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

n) Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

o) Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Reddy Pharma SAS

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

Note 2 Notes to the financial statements

2.1 A Property, plant and equipment

Particulars	Gross carrying value				Accumulated depreciation				Net carrying value
	As at 1 April 2018	Additions	Disposals	As at 31 March 2019	As at 1 April 2018	For the year	Disposals	As at 31 March 2019	As at 31 March 2019
Furniture, fixtures and office equipment	6,263	83		6,346	2,076	1,217	-	3,293	3,053
Total	**6,263**	**83**	**-**	**6,346**	**2,076**	**1,217**	**-**	**3,293**	**3,053**
Previous Year	**6,124**	**139**	**-**	**6,263**	**577**	**1,499**	**-**	**2,076**	**4,187**

2.1 B Other intangible assets

Particulars	Gross carrying value				Accumulated amortisation				Net carrying value
	As at 1 April 2018	Additions	Disposals	As at 31 March 2019	As at 1 April 2018	For the year	Disposals	As at 31 March 2019	As at 31 March 2019
Other intangibles	17,983	14,270	-	32,253	-	-	-	-	32,253
Total	**17,983**	**14,270**	**-**	**32,253**	**-**	**-**	**-**	**-**	**32,253**
Previous Year	**-**	**17,983**	**-**	**17,983**	**-**	**-**	**-**	**-**	**17,983**

Reddy Pharma SAS

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

Note 2 Notes to the financial statements (continued)

2.2 Financial assets

2.2 A. Trade receivables

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good	21,882	8,662
	21,882	**8,662**

2.2 B. Other non-current financial assets

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good		
Security deposits	1,042	1,084
	1,042	**1,084**

2.2 C. Cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018
Balances with banks:		
- In current accounts	4,067	9,524
	4,067	**9,524**

2.3 Other current assets

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good		
Balances with statutory authorities	2,964	4,779
Prepaid expenses	1,229	1,408
Others	-	-
	4,193	**6,187**

2.4 Inventories

	As at 31 March 2019	As at 31 March 2018
Stock-in-trade	33,077	7,684
	33,077	**7,684**

Reddy Pharma SAS

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

Note 2 Notes to the financial statements (continued)

2.5 Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised share capital		
5,000,000 equity shares of EUR 1/- each (31 March 2018: 3,000,000)	384,156	222,720
Issued equity capital		
3,750,000 equity shares of EUR 1/- each (31 March 2018: 2,250,000)	288,117	167,040
Subscribed and fully paid-up		
3,750,000 equity shares of EUR 1/- each (31 March 2018: 2,250,000)	288,117	167,040
	288,117	**167,040**

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

Particulars	For the year ended 31 March 2019		For the year ended 31 March 2018	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	2,250,000	167,040	1,000,000	36,056
Add: Equity shares issued during the year	1,500,000	121,077	1,250,000	130,984
Number of shares outstanding at the end of the year	**3,750,000**	**288,117**	**2,250,000**	**167,040**

(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 2019		As at 31 March 2018	
	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class
Dr. Reddy's Laboratories SA	3,750,000	100.00	2,250,000	100.00

2.6 Financial Liabilities

2.6 A. Other current financial liabilities

	As at 31 March 2019	As at 31 March 2018
Accrued expenses	23,947	8,282
	23,947	**8,282**

2.6 B. Trade payables

	As at 31 March 2019	As at 31 March 2018
Trade payables due to holding and other group companies	6,921	20,364
Trade payables to other parties	13,363	6,887
	20,284	**27,251**

2.7 Other current liabilities

	As at 31 March 2019	As at 31 March 2018
Salary and bonus payable	5,572	4,058
Due to statutory authorities	6,146	2,119
Others	42	-
	11,760	**6,177**

Reddy Pharma SAS

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

Note 2 Notes to the financial statements (continued)

2.8 Sales

	For the year ended 31 March 2019	For the year ended 31 March 2018
Sales	42,115	9,024
	42,115	**9,024**

2.9 Other income

	For the year ended 31 March 2019	For the year ended 31 March 2018
Foreign exchange gain, net	1,654	-
	1,654	**-**

2.10 Changes in inventories of finished goods, work-in-progress and stock-in-trade

		For the year ended 31 March 2019		For the year ended 31 March 2018
Opening				
Stock-in-trade	7,684	7,684	8,102	8,102
Closing				
Stock-in-trade	33,077	33,077	7,684	7,684
		(25,393)		**418**

2.11 Employee benefits expense

	For the year ended 31 March 2019	For the year ended 31 March 2018
Salaries, wages and bonus	56,031	42,189
Staff welfare expenses	-	381
	56,031	**42,570**

2.12 Depreciation expense

	For the year ended 31 March 2019	For the year ended 31 March 2018
Depreciation of property, plant and equipment	1,217	1,499
	1,217	**1,499**

2.13 Finance costs

	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest on long-term borrowings	45	-
	45	**-**

2.14 Selling and other expenses

	For the year ended 31 March 2019	For the year ended 31 March 2018
Other selling expenses	5,818	4,153
Legal and professional	26,754	15,657
Travel and conveyance	7,188	6,716
Rent	4,783	4,240
Rates and taxes	16,924	5,632
Communication	1,341	1,131
Foreign exchange loss, net	-	1,898
Other general expenses	6,522	3,211
	69,330	**42,638**

Reddy Pharma SAS

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

Note 2 Notes to the financial statements (continued)

2.15 Going Concern

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

2.16 Related parties

a) The following is a summary of related party transactions

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest expense to holding company or other group companies:		
Dr. Reddy's Laboratories SA	45	-

b) The Company had the following amounts due to related parties

Particulars	As at 31 March 2019	As at 31 March 2018
Due to holding company and other group companies(included in trade payables and other liabilities):		
Dr. Reddy's Laboratories (UK) Limited	6,921	20,364

2.17 Income taxes

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.

2.18 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.

2.19 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Reddy Pharma SAS**

PSRVV Surya Rao
Partner
Membership No.: 202367

Subhir Kohli
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

REGKINETICS SERVICES LIMITED

(formerly Dr. Reddy's Pharma SEZ Limited)
Regd. Office: 8-2-337, Road No. 3, Banjara Hills, Hyderabad – 500034
CIN: U24233TG2009PLC064271, E-mail : shares@drreddys.com

Tel: +91 40 4900 2900 Fax: +91 40 4900 2999

Board's Report

Dear Members,

Your Directors are pleased to present the 10th Board's Report of the Company for the year ended 31 March 2019.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2018-19 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2019	31 March 2018
Profit/(Loss) for the period after taxation	8,849	(2,042)
Balance brought forward	(2,576)	(534)
Balance carried forward to Balance Sheet	6,273	(2,576)

State of Company's Affairs

In the previous year, the Company amended its object clause to carry on the activities of Bio-Analytical /Clinical Research. However, due to non-feasibility, it did not carry such activities.

Change in the Nature of Business, if any

During the year, there was no change in the nature of business of the Company.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2019.

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. However, the company has filed an application with NCLT, Hyderabad bench under Section 66 of the Companies Act, 2013, for reduction of its paid up share capital by 99.75% from Rs. 20,05,00,000/- (Rupees Twenty Crores and Five Lakhs only) divided into 2,00,50,000 (Two Crores Fifty Thousand) shares of Rs. 10/- each to Rs. 5,00,000/- (Rupees Five Lakhs only) divided into 50,000 (Fifty Thousand) shares of Rs. 10/- each and return the surplus capital to its shareholder (Holding Company), Dr. Reddy's Laboratories Limited by repaying 2,00,00,000 (Two Crores) equity shares (99.75%) from the existing paid-up.

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
None

Particulars of Loans, Guarantees or Investments
The Company has not given any loans or guarantees nor made any investments during the year.

Subsidiaries and Associates
The Company does not have any Subsidiary, Joint Venture or Associate Company.

Secretarial Standards
The Directors state that applicable Secretarial Standards, i.e SS-1 and SS-2, relating to 'Meeting of the Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company The company has also voluntarily adopted the recommendatory Secretarial Standard-4 on 'Report of the Board of Directors' issued by the Institute of Company Secretaries of India.

Number of Board meetings
The Company's Board met five times during the year: 11 May 2018, 24 July 2018, 24 October 2018, 3 December 2018 and 30 January 2019.

Board of Directors and Key Managerial Personnel
The Board of Directors at its meeting held on 24 July 2018, appointed Mr. Kiran Yanamandra as a Key Managerial Personnel designated as Chief Executive Officer (CEO) of the Company, in compliance with Section 203(1) of the Companies Act, 2013.

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Sujit Kumar Mahato (DIN: 07599067), 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.

Brief profile of Mr. Sujit Kumar Mahato is given in the notice convening 10th Annual General Meeting for reference of the shareholders.

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 2018-19 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 and adequate systems have been devised to ensure compliance with the provisions of all applicable laws and these systems are 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 (Firm's Registration No. 002857S), retire at the ensuing 10th Annual General Meeting, in terms of Section 139(2) of the Companies Act, 2013.

The Board of Directors have proposed the appointment of M/s. Alka Zanwar & Co., Chartered Accountants (Firm Registration No: 000501S) as Statutory Auditors for a period of five years to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the 15th Annual General Meeting.

M/s. Alka Zanwar & Co., Chartered Accountants (Firm Registration No: 000501S), 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 Companies Act 2013 and Companies (Audit and Auditors) Rules, 2014. 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.

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

None.

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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Since the Company has no employees during the year, the provisions relating to constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 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 15, 2019	**M V Narasimham**	**Sujit Kumar Mahato**
Place: Hyderabad	Director	Director
	DIN: 02677423	DIN: 07599067

ANNEXURE I

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2019
[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	Regkinetics Services Limited (formerly 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	8-2-337, Road no. 3, Banjara Hills, Hyderabad – 500 034
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	2,00,50,000	2,00,50,000	100	0	2,00,50,000	2,00,50,000	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	2,00,50,000	2,00,50,000	100	0	2,00,50,000	2,00,50,000	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**	**2,00,50,000**	**2,00,50,000**	**100**	**0**	**2,00,50,000**	**2,00,50,000**	**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**	**2,00,50,000**	**2,00,50,000**	**100**	**0**	**2,00,50,000**	**2,00,50,000 (*)**	**100**	**0**

(*) Out of 2,00,50,000 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	2,00,50,000	100	0	2,00,50,000	100	0	0
		2,00,50,000	**100**	**0**	**2,00,50,000**	**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	2,00,50,000	100	2,00,50,000	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	2,00,50,000	100	2,00,50,000	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. Venkata Narasimham Mannam	01.04.2018	1	0	0	-	1	0
		31.03.2019	1	0	0	-	1	0
2	Mr. Sujit Kumar Mahato	01.04.2018	1	0	0	-	1	0
		31.03.2019	1	0	0	-	1	0
3	Ms. Namrata	11.05.2018	0	0	0	-	0	0
		31.03.2019	0	0	0	-	0	0
B. KEY MANAGEMENT PERSONNEL (KMPs)								
4	Mr. Ashok Kalyan Tavva (Chief Financial Officer)	11.05.2018	0	0	0	-	0	0
		31.03.2019	0	0	0	-	0	0
5	Ms. Sudha Jhunjhunwala (Company Secretary)	11.05.2018	0	0	0	-	0	0
		31.03.2019	0	0	0	-	0	0
6	Mr. Kiran Yanamandra#* (Chief Executive Officer)	24.07.2018	1	0	0	-	1	0
		31.03.2019	1	0	0	-	1	0

* Held as nominee shareholder on behalf of Dr. Reddy's Laboratories Limited, Holding Company.
^ Appointed with effect from 24 July 2018.

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** – 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 15, 2019
Place: Hyderabad

Sujit Kumar Mahato
Director
DIN: 07599067

M V Narasimham
Director
DIN: 02677423

To
Members
Regkinetics Services Limited

Report on the Standalone Ind AS Financial Statements

Opinion

We have audited the standalone Financial Statements of **Regkinetics Services Limited("the Company")**, which comprise the Balance sheet as at 31st March 2019, and the Statement of Profit and Loss and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, 2019, and profit/lossand its cash flows for the year ended on that date

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. 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 *Code of Ethics* issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report

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 financial statements that give a true and fair view of the financial position, financial performance, changes in equity 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. 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 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.

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.

The Board of Directors are also 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 Standards of Auditing (SAs) 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 SAs, 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. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- 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.

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 state of affairs (financial position) of the Company as at 31st March, 2019, and its profit (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 in terms 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 information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

e) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133of the Act.

e) On the basis of the written representations received from the directors as on 31st March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2019 from being appointed as a director in terms of Section164(2) of the Act.

f) As required under clause (i), a separate report on the internal financial controls is annexed in Annexure-B herewith.

g) With respect to the other matters 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 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund.

Place : Hyderabad
Date: 15-May-2019

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 002857S

P S R V V Surya Rao
Partner
Membership No. 202367

ANNEXURE TO THE AUDITORS' REPORT
(Regkinetics Services Limited)
(Of even date referred to in Para 1 of our Report)

(i) The Company has no 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 2019 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.

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

(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 nor 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 out 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 so, clause 3(xv) is not applicable to the Company during the year.

(xvi) Based on the information provided and explanations offered 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: 15-May-2019

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 002657S

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 Regkinetics Services 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 Regkinetics Services Limited, as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

Meaning of Internal Financial Controls over Financial Reporting

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

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, 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: 15-May-2019

For M/s A Ramachandra Rao & Co
Chartered Accountants
(CA) FRN 002857S

P S R V V Surya Rao
Partner
Membership No. 202367

Reghinetics Services Limited
(Formerly Dr. Reddy's Pharma SEZ Limited)
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Other non current assets	2.1	16	-
Total non current assets		**16**	-
Current assets			
Financial assets			
Investments	2.2	2,06,007	-
Cash and cash equivalents	2.3	1,568	1,97,840
Other current assets	2.4	-	128
Total current assets		**2,07,575**	**1,97,968**
Total assets		**2,07,591**	**1,97,968**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.5	2,00,500	2,00,500
Retained earnings	2.6	6,273	(2,576)
Total equity		**2,06,773**	**1,97,924**
Non current liabilities			
Deferred tax liabilities (net)	2.7	808	
		808	-
Current liabilities			
Financial Liabilities			
Other financial liabilities	2.8	10.00	44
Total Liabilities		**10**	**44**
Total equity and liabilities		**2,07,591**	**1,97,968**

Significant accounting policies & Notes to Accounts 1

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

As per our report of even date attached
for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

for and on behalf of the Board of Directors

Ashok Kalyan T
Chief Financial Officer

Venkatanarasimham Mannam
Director
DIN: 02677423

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

Sudha J
Company Secretary

Sujit Kumar Mahato
Director
DIN: 07599067

Place: Hyderabad
Date: 15 May 2019

Kiran Yanamandra
Chief Executive Officer

Namrata Gill
Director
DIN: 08128191

Reglmetics Services Limited
(Formerly Dr. Reddy's Pharma SEZ Limited)
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the period ended 31 March 2019	For the year ended 31 March 2018
Continuing operations			
Revenue from operations			-
Other income	2.9	12,000	128
Total income		**12,000**	**128**
Expenses			
Other expenses	2.10	42	2,170
Total expense		**42**	**2,170**
Profit before share of profit / (loss) of associates and joint ventures, exceptional items and tax		**11,958**	**(2,042)**
Share of profit / (loss) of associate and joint ventures			-
Profit before exceptional items and tax		**11,958**	**(2,042)**
Profit before tax		**11,958**	**(2,042)**
Current tax expense		2,301	-
Deferred tax benefit		808	-
Income tax expense		3,109	-
Profit / (Loss) for the year		**8,849**	**(2,042)**
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		**8,849**	**(2,042)**
Earnings per share:			
Basic earnings per share of Rs. 10/- each		44.13	(7.57)
Diluted earnings per share of Rs. 10/- each		44.13	(7.57)
Number of shares used in computing earnings per share			
Basic		2,00,500	2,69,718
Diluted		2,00,500	2,69,718

Significant accounting policies & Notes to Accounts 1

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

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002837S

for and on behalf of the Board of Directors

Ashok Kalyan T
Chief Financial Officer

Venkatanarasimham Mannam
Director
DIN: 07599067

P S R V V Surya Rao
Partner
ICAI Membership No. 202367
Place: Hyderabad
Date: 15 May 2019

Sudha J
Company Secretary

Sujit Kumar Mahata
Director
DIN: 07599067

Kiran Yanamandra
Chief Executive Officer

Namrata Gill
Director
DIN: 08128191

Regdinetics Services Limited
(Formerly Dr. Reddy's Pharma SEZ Limited)
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Operating activities		
Profit before tax from continuing operations	11,958	(2,042)
Profit/ (loss) before tax from discontinued operations		
Profit before tax	11,958	(2,042)
Adjustments to reconcile profit before tax to net cash flows:		
Fair value gain on Quoted Mutual funds	(3,232)	
Profit on Sale of Mutual funds	(7,775)	
Operating cash flows before working capital changes	951	(2,042)
Working capital adjustments:		
Increase in trade and other receivables and prepayments	128	(128)
Increase in trade and other payables	(34)	10
	1,045	(2,160)
Income tax paid	(2,317)	-
Net cash flows from/(used in) operating activities	(1,272)	(2,160)
Investing activities		
Purchase of financial instruments	(1,95,000)	-
Net cash flows from/used in investing activities	(1,95,000)	-
Financing activities		
Proceeds from issue of shares.	-	2,00,000
Net cash flows from/ (used in) financing activities	-	2,00,000
Net increase / (decrease) in cash and cash equivalents	(1,96,272)	1,97,840
Net foreign exchange difference		-
Cash and cash equivalents at the beginning of the year	1,97,840	-
Cash and cash equivalents at the end of the year	1,568	1,97,840

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

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

for and on behalf of the Board of Directors

Ashok Kalyan T
Chief Financial Officer

Venkatnarasimham Mannam
Director
DIN: 02677423

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

Sudha J
Company Secretary

Sujit Kumar Mahato
Director
DIN: 07599067

Place: Hyderabad
Date: 15 May 2019

Kiran Yanamandra
Chief Executive Officer

Namrata Gill
Director
DIN: 08128191

Regkinetics Services Limited
(Formerly Dr. Reddy's Pharma SEZ 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 DESCRIPTION OF THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

1.1 Description of the Company

Regkinetics Services limited (formerly Dr. Reddy's Pharma SEZ Limited) is a wholly owned subsidiary of Dr. Reddy's Laboratories Limited with its registered office at 7-1-27, Ameerpet, Hyderabad 500016

1.2 Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

These financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the balance sheet-

* Certain financial assets are measured either at fair value or at amortised cost depending on the classification;

1.3 Use of estimates and judgements

The preparation of financial statements in conformity with Ind AS requires management to make judgements, 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. In particular, information about significantareas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

1.4 (a) Assessment of functional currency

11.4 (b) Financial instruments

1.4(f) Provisions and other accruals

1.4 Significant accounting policies

(a) Assessment of functional currency

These financial statements are presented in Indian rupees, which is also the functional currency of the Company. All financial information presented in Indian rupees has been rounded to the nearest million.

(b) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of Financial Statements.

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

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

Current assets/liabilities include the current portion of non-current assets/liabilities respectively. All other assets/liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

Regkinetics Services Limited
(Formerly Dr. Reddy's Pharma SEZ 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 DESCRIPTION OF THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

(c) Interest income
Interest income primarily comprises of interest from term deposits with banks and on loans to subsidiary companies. 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.

(d) Income tax
Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit 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 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 profi ts 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 benefi t will be realised.
The Company recognises deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:
a) When the Company is able to control the timing of the reversal of the temporary difference; and
b) it is probable that the temporary difference will not reverse in the foreseeable future.
Dividend distribution 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 recognised in the statement of changes in equity as part of the associated dividend payment.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset andsettle the liability simultaneously

(e) 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.

(f) Provisions, contingent liabilities and contingent assets
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 a finance cost.

Regkinetics Services Limited
(Formerly Dr. Reddy's Pharma SEZ 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 DESCRIPTION OF THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

(g) 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

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

For purposes of subsequent measurement, financial assets are classified in four categories:
(a) Debt instruments at amortised cost;
(b) Debt instruments at fair value through other comprehensive income (FVTOCI);
(c) Debt instruments, derivatives and equity instruments at fair value through profit l or loss (FVTPL); and
(d) Equity instruments measured at fair value through other comprehensive income (FVTOCI).

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classifi ed as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when: The rights to receive cash fl ows from the asset have expired; or the Company has transferred its rights to receive cash fl ows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
(a) the Company has transferred substantially all the risks and rewards of the asset, or
(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that refl ects the rights and obligations that the Company has retained.

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, 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.

Regkinetics Services Limited
(Formerly Dr. Reddy's Pharma SEZ 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 DESCRIPTION OF THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognised in OCI. These gains/losses are not subsequently transferred to the statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Company has not designated any financial liability as fair value through profit and loss.

Derecognition

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss

(h) Cash and cash equivalents

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

1.5 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. 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.

a) Investments in equity and debt securities and units of mutual funds

In respect of investments in mutual funds, the fair values represent net asset value as stated by the issuers of these mutual fund units in the published statements. Net asset values represent the price at which the issuer will issue further units in the mutual fund and the price at which issuers will redeem such units from the investors.

Accordingly, such net asset values are analogous to fair market value with respect to these investments, as transactions of these mutual funds are carried out at such prices between investors and the issuers of these units of mutual funds.

Reglinetics Services Limited
(Formerly Dr. Reddy's Pharma SEZ 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 DESCRIPTION OF THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

1.6 Recent accounting pronouncements

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

Ind AS 116, Leases

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the cash flow statement as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The Company has never been a lessor/lessee in any of its leasing arrangements. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on it's financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to IAS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.

Appendix C explains how to recognise 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 Ind AS 12 was silent. Appendix C 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.

The interpretation is effective for annual reporting periods beginning on or after 1 April 2019. An entity can, on initial application, elect to apply this amendment either:

+ retrospectively applying Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors, if possible without the use of hindsight; or

+ retrospectively, with the cumulative effect of initially applying the interpretation recognised at the date of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate).

The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Regkimetics Services Limited
(Formerly Dr. Reddy's Pharma SEZ Limited)
Note 2: 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 2019	As at 31 March 2018
Authorised Share Capital		
2,50,00,000 (previous year : 2,50,00,000) equity shares of Rs. 10/- each	2,50,000	2,50,000
	2,50,000	2,50,000
Issued equity capital		
20,050,000 (previous year : 20,050,000) equity shares of Rs. 10/- each	2,00,500	2,00,500
	2,00,500	2,00,500
Subscribed and fully paid		
20,050,000 (previous year : 20,050,000) equity shares of Rs. 10/- each	2,00,500	2,00,500
	2,00,500	2,00,500

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	2,00,50,000	2,00,500	50,000	500
Shares issued during the year	-	-	2,00,00,000	2,00,000
Number of shares outstanding at the end of the year	2,00,50,000	2,00,500	2,00,50,000	2,00,500

(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 2019		As at 31 March 2018	
	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class
Dr. Reddy's Laboratories Limited (including shares held by nominees)	2,00,50,000	100.00	2,00,50,000	100.00

(d) **Note:**
In the month of February 2019 the company has applied for Reduction of Share Capital as per Section 66 of the Companies Act, 2013 to NCLT by 99.75 % by way of paying off the paid up share capital which is in excess of wants of the company, to the shareholders. The order form NCLT is expected to be received in FY 19-20. Pending receipt of requisite confirmation, the share capital is continued to be shown at pre-reduction figures.

Regkinetics Services Limited (Formerly Dr. Reddy's Pharma SEZ Limited)
Statement of Changes in Equity

2.6 Total equity

For the year ended 31 March, 2019

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 31 March 2018	2,00,50,000	2,00,500	-	-	-	-	-	(2,576)	-	-	-	1,97,924
Issue of equity shares			-	-	-	-	-		-	-		-
Profit for the period								8,849				8,849
												-
Balance as of 31 March 2019	2,00,50,000	2,00,500	-	-	-	-	-	6,273	-	-	-	2,06,773

Regkinetics Services Limited
(Formerly Dr. Reddy's Pharma SEZ 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)

2.1 : Other non current assets	**As at 31 March 2019**	**As at 31 March 2018**
Advance Income tax (net of provision of Income tax)	16	-
	16	**-**

2.2 : Investments	**As at 31 March 2019**	**As at 31 March 2018**
Investments at fair value through profit or loss		
Investment in Debt Mutual Funds (Quoted)	2,06,007	-
	2,06,007	**-**

2.3 : Cash and cash equivalents	**As at 31 March 2019**	**As at 31 March 2018**
Bank Balance	1568	2,840
Total other current assets	**1,568**	**1,97,840**

2.4: Other Current Assets	**As at 31 March 2019**	**As at 31 March 2018**
Interest receivable	-	128
Total other current assets	**-**	**128**

2.7: Non Current Liabilities	**As at 31 March 2019**	**As at 31 March 2018**
Deferred Tax liabilities	808	-
Total other current assets	**808**	**-**

2.8 : Other financial liabilities	**As at 31 March 2019**	**As at 31 March 2018**
Other financial liabilities		
Other long term Liabilities	-	-
Other financial liabilities at amortised cost		
Accrued expenses	10	44
Total other financial liabilities	**10**	**44**

2.9 : Other Income	**For the period ended 31 March 2019**	**For the year ended 31 March 2018**
Interest income (on Term deposit with banks)	993	128
Profit on Sale of Mutual funds	7,775	-
Fair value gain on Quoted Mutual funds	3,232	-
	12,000	**128**

2.10: Other expenses	**For the period ended 31 March 2019**	**For the year ended 31 March 2018**
Rates and Taxes	-	2,160
Professional consultancy charges	32	-
Audit Fees	10	10
	42	**2,170**

Regkinetics Services Limited
(Formerly Dr. Reddy's Pharma SEZ Limited)
Note 1: Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.11 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.

2.12 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	For the period 31.03.2019	For the year 31.03.2018
Dr. Reddy's Laboratories Limited	Holding Company	Investment	-	2,00,000

2.13 Earnings Per Share : Ind AS 33
The computation of Earnings Per Share is set out below:

Particulars	For the Period Ended 31st March 2019	For the Year Ended 31st March 2018
Earnings / (Loss) for the year	8,849	(2,042)
Weighted average number of equity shares		
Outstanding during the year - Basic	2,00,500	2,69,718
Outstanding during the year - Diluted	2,00,500	2,69,718
Earnings Per Share:		
Basic earnings per share of Rs. 10/- each	44.13	(7.57)
Diluted earnings per share of Rs. 10/- each	44.13	(7.57)

2.14 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 2019 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.

As per our report of even date attached
for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number 002835S

P S R V V Surya Rao
Partner
Place: Hyderabad
Date: 15 May 2019

for and on behalf of the Board of Directors

Ashok Kalyan T
Chief Financial Officer

Venkatanarasimhan Mannam
Director
DIN: 07599067

Sudha J
Company Secretary

Sujit Kumar Mahato
Director
DIN: 07599067

Kiran Yarasamudra
Chief Executive Officer

Naawata Gill
Director
DIN: 08128191

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 2019, 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 2019;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Profit/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: 15 May 2019

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

	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Current assets			
Financial assets			
Cash and cash equivalents	2.1	54	51
Total current assets		**54**	**51**
Total assets		**54**	**51**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.2	359,824	359,824
Other equity			
Other reserves		4,947	4,944
Retained earnings		(364,717)	(364,717)
Total equity		**54**	**51**
Total equity and liabilities		**54**	**51**

Significant accounting policies 1

The accompanying notes are 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

Raymond De Vré
Director

Place: Hyderabad
Date: 15 May 2019

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 31 March 2019	For the year ended 31 March 2018
Total Income		-	-
Expenses			
Selling and other expenses	2.3	-	280
Total expense		-	**280**
Loss before tax		-	**(280)**
Income tax expense		-	-
Loss for the year		-	**(280)**
Significant accounting policies	1		

The accompanying notes are 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

Raymond De Vré
Director

Place: Hyderabad
Date: 15 May 2019

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 2019

Particulars	Share Capital		Other Equity		Total Equity
	Shares	Amount	Other components of equity(OCI)	Retained Earnings	
Balance as of 1 April 2018	**-**	**359,824**	**4,944**	**(364,717)**	**51**
Foreign currency translation adjustments	-	-	3	-	3
Loss for the period	-	-	-	-	-
Balance as of 31 March 2019	**-**	**359,824**	**4,947**	**(364,717)**	**54**

For the year ended 31 March 2018

Particulars	Share Capital		Other Equity		Total Equity
	Shares	Amount	Other components of equity(OCI)	Retained Earnings	
Balance as of 1 April 2017	**-**	**359,824**	**4,946**	**(364,436)**	**333**
Foreign currency translation adjustments	-	-	(2)	-	(2)
Loss for the period	-	-	-	(280)	(280)
Balance as of 31 March 2018	**-**	**359,824**	**4,944**	**(364,717)**	**51**

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

Raymond De Vré
Director

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

DRANU LLC
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2019	For the year ended 31 March 2018
Operating activities		
Loss before taxation	-	(280)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	-	-
Foreign exchange gain/loss,net	-	-
Operating cash flows before working capital changes	**-**	**(280)**
Working capital adjustments:		
Increase in other assets and liabilities	-	-
	-	**(280)**
Income tax paid	-	-
Net cash flows from operating activities	**-**	**(280)**
Net cash flows used in investing activities	**-**	**-**
Net cash flows from/ (used in) financing activities	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	-	(280)
Cash and cash equivalents at the beginning of the year	51	333
Effect of foreign exchange differences on cash and cash equivalents	3	(2)
Cash and cash equivalents at the end of the year	**54**	**51**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	54	51
Cash and bank balances at the end of the year	**54**	**51**

The accompanying notes are 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

Raymond De Vré
Director

Place: Hyderabad
Date: 15 May 2019

DRANU LLC

Significant Accounting Policies & Notes to financial statements

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

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company

DRANU, LLC (" the Company") is a joint venture of Dr. Reddy's Laboratories Inc. organised under the laws of USA.

1.2 Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 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.

1.4 Significant accounting policies

Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

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 assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

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. 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.

Revenue from contracts with customers

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes 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

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. 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.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

DRANU LLC

Significant Accounting Policies & Notes to financial statements

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

Note 1 Description of the Company and significant accounting policies (continued)

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.

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. General and specific 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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. Land is not depreciated.

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 and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

Buildings
- Factory and administrative buildings
- Ancillary structures
Plant and machinery
Furniture, fixtures and office equipment
Vehicles

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

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. 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.

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 realisable 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 realisable 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.

DRANU LLC

Significant Accounting Policies & Notes to financial statements

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

Note 1 Description of the Company and significant accounting policies (continued)

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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.

Provisions, contingent liabilities and contingent assets

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 a 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 balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

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 Companny commits to purchase or sell the asset.

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.

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 and derivative financial instruments

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.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

DRANU LLC

Significant Accounting Policies & Notes to financial statements

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

Note 1 Description of the Company and significant accounting policies (continued)

1.5 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.

1.6 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.

1.7 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.

1.8 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

DRANU LLC

(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 2019	As at 31 March 2018
2.1 : Cash and cash equivalents		
Balances with banks:		
- On current accounts	54	51
	54	**51**

2.2 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
Authorised capital of US $ 2,085,900*	359,824	359,824
Issued equity capital		
Issued capital of US $ 2,085,900*	359,824	359,824
Subscribed and fully paid-up		
Issued capital of US $ 2,085,900*	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 2018	For the year ended 31 March 2017
2.3 : Selling and other expenses		
Other general expenses	-	280
	-	**280**