

C.02 Audit Report

Interoffice Audit Report on Financial Information Prepared for Consolidation Purposes

B S R & Co LLP

Chartered Accountants


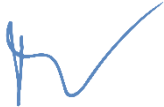
Ahmedabad

India

We have audited the financial information prepared for consolidation purposes of Heumann Pharma GmbH & Co. Generica KG (“the Company”), of the accompanying financial reporting package (including supplementary financial information). We conducted our audit in accordance with the International Standards on Auditing.

In our opinion, the financial information prepared for consolidation purposes as of and for the year ended 31 March 2018 has been prepared, in all material respects, in conformity with German GAAP (which is the GAAP accepted by the Torrent Pharmaceuticals Limited for the reporting packages).

This report is intended solely for use by B S R & Co. LLP, Chartered Accountants in connection with its audit of Torrent Pharmaceuticals Limited’s consolidated financial statements as at (as of) and for the year ended 31 March 2018 and should not be used for any other purpose.

	
Holger Kelle (Engagement Partner)	Martin Fischer (Engagement Manager)
<i>KPMG AG Wirtschaftspruefungsgesellschaft</i>	
<i>April 27, 2018</i>	

Maxtorgraben13, D-90409, Nuernberg

Heumann Pharma GmbH & Co. Generica KG
Balance Sheet

	Notes	As at 31-Mar-2018 EUR	As at 31-Mar-2018 INR	As at 31-Mar-2017 EUR	Amt. in Lacs As at 31-Mar-2017 INR
ASSETS					
Non-current assets					
Property, plant and equipment	1	13.88	1,119.04	13.56	939.00
Other intangible assets	1	40.75	3,285.35	41.29	2,859.23
Intangible assets under development		5.71	460.35	15.51	1,074.03
Financial assets					
Other financial assets	3	0.03	2.42	0.03	2.08
Non-current tax assets (net)		1.42	114.48	-	-
Deferred tax assets (net)		13.50	1,088.40	-	-
		<u>75.29</u>	<u>6,070.04</u>	<u>70.39</u>	<u>4,874.34</u>
Current assets					
Inventories	5	358.23	28,881.29	271.72	18,815.96
Financial assets					
Trade receivables	6	354.80	28,604.76	416.55	28,845.09
Cash and cash equivalents	7	0.69	55.63	95.34	6,602.07
Bank balances other than cash and cash equivalent		570.93	46,029.63	570.56	39,509.91
Loans	2	305.80	24,654.27	183.19	12,685.47
Other financial assets	3	14.39	1,160.15	55.89	3,870.25
Other current assets	4	35.74	2,881.44	6.49	449.42
		<u>1,640.58</u>	<u>132,267.17</u>	<u>1,599.74</u>	<u>110,778.17</u>
TOTAL		<u>1,715.87</u>	<u>138,337.21</u>	<u>1,670.13</u>	<u>115,652.51</u>
EQUITY AND LIABILITIES					
Equity					
Equity share capital	8	25.11	2,024.42	25.11	1,738.81
Other equity	9	278.14	22,424.26	160.42	11,108.70
		<u>303.25</u>	<u>24,448.68</u>	<u>185.53</u>	<u>12,847.51</u>
Non-current liabilities					
Provisions	11	97.08	7,826.80	100.33	6,947.61
		<u>97.08</u>	<u>7,826.80</u>	<u>100.33</u>	<u>6,947.61</u>
Current liabilities					
Financial liabilities					
Trade payables		1,191.73	96,079.89	1,261.38	87,347.55
Other financial liabilities	10	10.20	822.35	11.18	774.19
		<u>1,201.93</u>	<u>96,902.24</u>	<u>1,272.56</u>	<u>88,121.74</u>
Other current liabilities	12	0.91	73.37	11.56	800.50
Provisions	11	112.70	9,086.12	89.38	6,189.35
Liabilities for current tax (net)		-	-	10.77	745.80
		<u>1,315.54</u>	<u>106,061.73</u>	<u>1,384.27</u>	<u>95,857.39</u>
TOTAL		<u>1,715.87</u>	<u>138,337.21</u>	<u>1,670.13</u>	<u>115,652.51</u>

All monetary and non-monetary items in the balance sheet have been translated at closing rate of 1 Euro = Rs. 80.6222 (69.2476)

Heumann Pharma GmbH & Co. Generica KG
Statement of Profit and Loss

	Notes	Year Ended 31-Mar-2018 EUR	Year Ended 31-Mar-2018 INR	Year Ended 31-Mar-2017 EUR	Amt. in Lacs Year Ended 31-Mar-2017 INR
REVENUE					
Revenue from operations	13	1,059.12	85,388.58	956.18	66,213.17
Other income	14	3.21	258.80	2.33	161.35
Total Revenue		1,062.33	85,647.38	958.51	66,374.52
EXPENSES					
Cost of materials consumed	15	1.26	101.58	2.23	154.42
Purchases of stock-in-trade		682.25	55,004.50	572.64	39,653.95
Changes in inventories of finished goods, work-in-progress and stock-in-trade	16	(87.06)	(7,018.97)	(35.46)	(2,455.52)
Employee benefits expense	17	65.80	5,304.94	61.41	4,252.50
Finance costs	18	0.03	2.42	0.07	4.85
Depreciation and amortisation expense		9.06	730.44	8.00	553.98
Other expenses	19	227.26	18,322.20	195.86	13,562.83
Total Expenses		898.60	72,447.11	804.75	55,727.01
PROFIT BEFORE TAX		163.73	13,200.27	153.76	10,647.51
TAX EXPENSE					
Current tax		26.80	2,160.67	21.55	1,492.29
Deferred tax charge / (credit)		(13.50)	(1,088.40)	-	-
Short / (excess) provision for tax of earlier years		(4.14)	(333.78)	4.37	302.61
		9.16	738.49	25.92	1,794.90
NET PROFIT FOR THE YEAR		154.57	12,461.78	127.84	8,852.61
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss					
Remeasurement of the defined benefit plans		3.15	253.96	(0.68)	(47.09)
Total		3.15	253.96	(0.68)	(47.09)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		157.72	12,715.74	127.16	8,805.52

Heumann Pharma GmbH & Co. Generica KG
Notes annexed to and forming part of the Financial Statements

	As at 31-Mar-2018 EUR	As at 31-Mar-2018 INR	As at 31-Mar-2017 EUR	Amt. in Lacs As at 31-Mar-2017 INR
NOTE - 2 : LOANS				
[Unsecured and considered good, unless otherwise stated]				
Current				
Loans to related parties	305.80	24,654.27	183.19	12,685.47
	<u>305.80</u>	<u>24,654.27</u>	<u>183.19</u>	<u>12,685.47</u>
NOTE - 3 : OTHER FINANCIAL ASSETS				
Non-current				
Security deposits	0.03	2.42	0.03	2.08
Current				
Others	14.39	1,160.15	55.89	3,870.25
	<u>14.42</u>	<u>1,162.57</u>	<u>55.92</u>	<u>3,872.33</u>
NOTE - 4 : OTHER ASSETS				
Current				
Claims receivable : Indirect tax / insurance				
Considered good	23.77	1,916.39	-	-
Employees advances	0.10	8.06	0.13	9.00
Prepaid expenses	11.87	956.99	6.36	440.41
	<u>35.74</u>	<u>2,881.44</u>	<u>6.49</u>	<u>449.41</u>
NOTE - 5 : INVENTORIES				
[At lower of cost and net realisable value]				
Raw materials	0.99	79.82	1.54	106.64
Finished goods	119.88	9,664.99	93.01	6,440.72
Stock-in-trade	237.36	19,136.49	177.17	12,268.60
	<u>358.23</u>	<u>28,881.30</u>	<u>271.72</u>	<u>18,815.96</u>
NOTE - 6 : TRADE RECEIVABLES				
Considered good	354.80	28,604.76	416.55	28,845.09
Considered doubtful	-	-	1.29	89.33
Less : Allowance for doubtful trade receivables	-	-	1.29	89.33
	<u>354.80</u>	<u>28,604.76</u>	<u>416.55</u>	<u>28,845.09</u>
NOTE - 7 : CASH AND CASH EQUIVALENTS				
Cash on hand	0.02	1.61	0.02	1.38
Balances with banks	0.67	54.02	95.32	6,600.68
	<u>0.69</u>	<u>55.63</u>	<u>95.34</u>	<u>6,602.06</u>
NOTE - 8 : SHARE CAPITAL				
Subscribed and paid-up	25.11	2,024.42	25.11	1,738.81
	<u>25.11</u>	<u>2,024.42</u>	<u>25.11</u>	<u>1,738.81</u>

Heumann Pharma GmbH & Co. Generica KG

	As at 31-Mar-2018 EUR	As at 31-Mar-2018 INR	As at 31-Mar-2017 EUR	Amt. in Lacs As at 31-Mar-2017 INR
NOTE - 9 : OTHER EQUITY				
Reserves and surplus				
Retained earnings	274.46	22,127.57	116.74	8,083.96
Capital reserve	3.68	296.69	43.68	3,024.74
	<u>278.14</u>	<u>22,424.26</u>	<u>160.42</u>	<u>11,108.70</u>
NOTE - 10 : OTHER FINANCIAL LIABILITIES				
Current				
Payables for employee benefits	7.49	603.86	7.27	503.43
Derivative financial instruments	1.63	131.41	0.26	18.00
Other payables	1.08	87.07	3.65	252.75
	<u>10.20</u>	<u>822.34</u>	<u>11.18</u>	<u>774.18</u>
NOTE - 11 : PROVISIONS				
Non-current				
Provision for employee benefits	97.08	7,826.80	100.33	6,947.61
	<u>97.08</u>	<u>7,826.80</u>	<u>100.33</u>	<u>6,947.61</u>
Current				
Provision for employee benefits	2.75	221.71	2.54	175.89
Provision for sales returns	24.52	1,976.86	11.55	799.81
Provision for failure to supply	85.43	6,887.55	75.29	5,213.65
	<u>112.70</u>	<u>9,086.12</u>	<u>89.38</u>	<u>6,189.35</u>
	<u>209.78</u>	<u>16,912.92</u>	<u>189.71</u>	<u>13,136.96</u>
NOTE - 12 : OTHER LIABILITIES				
Current				
Payables to statutory and other authorities	0.91	73.37	11.56	800.50
	<u>0.91</u>	<u>73.37</u>	<u>11.56</u>	<u>800.50</u>
	Year Ended 31-Mar-2018 EUR	Year Ended 31-Mar-2018 INR	Year Ended 31-Mar-2017 EUR	Amt. in Lacs Year Ended 31-Mar-2017 INR
NOTE - 13 : REVENUE FROM OPERATIONS				
Sales				
Sales outside India	972.51	78,405.90	878.68	60,846.48
Operating Income				
Other operating income	86.61	6,982.69	77.50	5,366.69
	<u>1,059.12</u>	<u>85,388.59</u>	<u>956.18</u>	<u>66,213.17</u>
NOTE - 14 : OTHER INCOME				
Interest income	3.20	257.99	2.29	158.58
Other non-operating income	0.01	0.81	0.04	2.77
	<u>3.21</u>	<u>258.80</u>	<u>2.33</u>	<u>161.35</u>

Heumann Pharma GmbH & Co. Generica KG

	Year Ended 31-Mar-2018	Year Ended 31-Mar-2018	Year Ended 31-Mar-2017	Amt. in Lacs Year Ended 31-Mar-2017
	EUR	INR	EUR	INR
NOTE - 15 : COST OF MATERIALS CONSUMED				
Raw materials	1.26	101.58	2.23	154.42
	<u>1.26</u>	<u>101.58</u>	<u>2.23</u>	<u>154.42</u>
NOTE - 16 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE				
Opening inventories				
Finished goods	93.01	7,498.67	68.12	4,717.15
Stock-in-trade	177.17	14,283.84	166.60	11,536.65
	<u>270.18</u>	<u>21,782.51</u>	<u>234.72</u>	<u>16,253.80</u>
Less : Closing inventories				
Finished goods	119.88	9,664.99	93.01	6,440.72
Stock-in-trade	237.36	19,136.49	177.17	12,268.60
	<u>357.24</u>	<u>28,801.48</u>	<u>270.18</u>	<u>18,709.32</u>
Net (increase) / decrease in inventories	<u>(87.06)</u>	<u>(7,018.97)</u>	<u>(35.46)</u>	<u>(2,455.52)</u>
NOTE - 17 : EMPLOYEE BENEFITS EXPENSE				
Salaries, wages and bonus	53.05	4,277.01	48.35	3,348.12
Contribution to provident and other funds	8.10	653.04	8.34	577.52
Defined benefit plan (pension) cost	2.48	199.94	2.70	186.97
Staff welfare expenses	2.17	174.95	2.02	139.88
	<u>65.80</u>	<u>5,304.94</u>	<u>61.41</u>	<u>4,252.49</u>
NOTE - 18 : FINANCE COSTS				
Interest expense	0.03	2.42	0.07	4.85
	<u>0.03</u>	<u>2.42</u>	<u>0.07</u>	<u>4.85</u>
NOTE - 19 : OTHER EXPENSES				
Power and fuel	0.59	47.57	0.50	34.62
Job work charges	2.57	207.20	2.64	182.81
Repairs and maintenance	0.13	10.48	0.10	6.92
Selling, publicity and medical literature expense	54.22	4,371.34	58.77	4,069.68
Allowance for doubtful debts	(0.08)	(6.45)	-	-
Travelling, conveyance and vehicle expenses	2.33	187.85	2.56	177.27
Liaison support services	18.08	1,457.65	49.35	3,417.37
Compensation expense	11.14	898.13	(10.24)	(709.10)
Registration expenses	10.30	830.41	8.28	573.37
Rent	21.68	1,747.89	20.28	1,404.34
Rates and taxes	0.09	7.26	-	-
Professional and legal fees	2.45	197.52	1.04	72.02
Communication expenses	1.20	96.75	1.09	75.48
Printing and stationery expenses	0.05	4.03	0.07	4.85
Insurance	7.55	608.70	4.71	326.16
Loss on sale / discard / write-off of property, plant & equipments	11.52	928.77	2.37	164.12
Net foreign exchange Loss	0.81	65.30	1.65	114.26
Auditors remuneration and expenses	0.29	23.38	0.25	17.31
General charges	82.34	6,638.43	52.44	3,631.34
	<u>227.26</u>	<u>18,322.21</u>	<u>195.86</u>	<u>13,562.82</u>

Heumann Pharma GmbH & Co. Generica KG

Note -1 : Property,Plant and Equipment and Other Intangible Assets Schedule (LC)

Amt. in lacs

Particulars	Gross Block (At Cost)				Depreciation and amortisation				Net Block
	As at 01-Apr-17	Additions during the year	Deductions/ Adjustments during the year	As at 31-Mar-18	As at 01-Apr-17	Additions during the year	Deductions/ Adjustments during the year	As at 31-Mar-18	As at 31-Mar-18
PROPERTY,PLANT AND EQUIPMENT									
Building	2.78	-	0.07	2.70	0.75	0.07	0.01	0.81	1.89
Plant & Equipments	5.96	1.03	-	6.98	2.38	0.48	-	2.87	4.12
Furniture & Fixtures	7.46	0.22	0.00	7.68	0.59	0.47	0.00	1.06	6.62
Vehicles	0.11	-	-	0.11	0.11	-	-	0.11	-
Office Equipments	2.49	0.57	-	3.07	1.40	0.43	0.01	1.82	1.25
TOTAL	18.80	1.82	0.08	20.55	5.24	1.45	0.03	6.67	13.88
Previous Year	14.24	7.98	3.42	18.80	7.46	1.12	3.34	5.24	13.56
OTHER INTANGIBLE ASSETS									
Computer Software	3.11	0.23	-	3.34	1.11	0.91	-	2.02	1.32
Product Licenses	105.56	8.15	5.97	107.74	66.26	6.70	4.66	68.30	39.44
TOTAL	108.67	8.38	5.97	111.07	67.37	7.61	4.66	70.32	40.75
Previous Year	95.79	17.00	4.12	108.67	64.61	6.88	4.12	67.37	41.29

Property,Plant and Equipment and Other Intangible Assets Schedule (INR)

Particulars	Gross Block (At Cost)				Depreciation and amortisation				Net Block
	As at 01-Apr-17	Additions during the year	Deductions/ Adjustments during the year	As at 31-Mar-18	As at 01-Apr-17	Additions during the year	Deductions/ Adjustments during the year	As at 31-Mar-18	As at 31-Mar-18
PROPERTY,PLANT AND EQUIPMENT									
Building	223.78	-	5.83	217.95	60.43	5.81	0.93	65.30	152.65
Plant & Equipments	480.20	82.88	-	563.08	192.13	39.07	-	231.20	331.88
Furniture & Fixtures	601.29	17.83	0.33	618.79	47.43	37.82	0.12	85.13	533.66
Vehicles	9.25	-	-	9.25	9.25	-	-	9.25	-
Office Equipments	201.10	46.25	-	247.34	112.97	34.51	1.00	146.49	100.85
TOTAL	1,515.62	146.96	6.16	1,656.41	422.21	117.21	2.05	537.37	1,119.04
Previous Year	986.09	552.60	237.52	1,301.17	516.59	76.87	231.30	362.16	939.00
OTHER INTANGIBLE ASSETS									
Computer Software	250.41	18.43	-	268.84	89.84	73.08	-	162.92	105.92
Product Licenses	8,510.43	656.93	481.35	8,686.01	5,342.32	540.15	375.89	5,506.58	3,179.43
TOTAL	8,760.84	675.36	481.35	8,954.85	5,432.16	613.23	375.89	5,669.50	3,285.35
Previous Year	6,632.54	1,177.21	285.30	7,524.44	4,474.09	477.11	285.99	4,665.21	2,859.23