B S R & Co. LLP
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Independent Auditor's Report

The Board of Directors of Torrent Pharmaceuticals Limited

Report on the Ind AS Financial Statements

At the request of Torrent Pharmaceuticals Limited, the Holding Company of Torrent Pharma Inc. ('TPI' or 'the Company'), registered in the State of Delaware, United States of America, we have audited the accompanying Ind AS financial statements of the Company, which comprise the Balance Sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Ind AS financial statements"), prepared and presented solely to facilitate the preparation of the Ind AS financial statements of the Holding Company - Torrent Pharmaceuticals Limited, in terms of section 129(3) of the Companies Act, 2013 (the "Act") and in accordance with the requirements of the Schedule III to the Act.

These financial statements/financial information are "special purpose financial statements/financial information" and do not constitute a set of statutory financial statements in accordance with the local laws in which the Company is incorporated.

Management's Responsibility for the Ind AS Financial Statements

The Holding Company and the TPI management are responsible for the preparation of these Ind AS financial statements that gives a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the TPI in accordance with the accounting policies followed by the Holding Company - Torrent Pharmaceuticals Limited, in preparing its Ind AS financial statements ("Group Accounting Policies") and the Indian Accounting Standards (Ind AS) as prescribed under Section 133 of the Indian Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI) and in particular SA 800 'Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks'. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in these Ind AS financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, we considers internal control relevant to the entity's preparation and fair presentation of these Ind AS financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of these Ind AS financial statements.

Independent Auditor's Report *(Continued)*
Torrent Pharmaceuticals Limited

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these Ind AS financial statements.

Opinion
In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give a true and fair view in conformity with the Group Accounting Policies of Torrent Pharmaceuticals Limited, of the state of affairs of the TPI as at 31 March 2019 and its losses (including other comprehensive income), cash flows and the changes in equity for the year ended on that date.

Other Matter
Without modifying our opinion, we draw attention to note 2 (i) to the Ind AS Financial Statements, which describes the basis of accounting. These financial statements/financial information are "special purpose financial statements/financial information" and do not constitute a set of statutory financial statements in accordance with the local laws in which the Entity is incorporated and are prepared for the sole purpose of consolidation of the Ind AS financial statements of the TPI with the Holding Company – Torrent Pharmaceuticals Limited.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Nirav Patel
Partner
Membership No: 113327

Ahmedabad
18 May 2019

Torrent Pharma Inc.

Balance sheet
as at 31 March 2019

(Currency : USD)

		Note	**31 March 2019**	31 March 2018 (Refer note 39)
Assets				
Non-current assets				
(a)	Property, plant and equipment	*4*	**14,218,305**	12,814,015
(b)	Capital work-in-progress	*4*	**890,103**	-
(c)	Goodwill	*5*	**11,091,874**	21,550,079
(d)	Other intangible assets	*6*	**9,646,856**	18,025,857
(e)	Intangible assets under development	*6*	**9,900,000**	24,000,000
(f)	Financial assets			
	(i) Security deposits		**1,375**	1,375
(g)	Income tax assets		**4,948,244**	5,411,558
(h)	Deferred tax assets (net)	*18*	**28,623,377**	17,781,850
(i)	Other non-current assets	*10*	**545,641**	-
Total Non- current assets			**79,865,775**	99,584,734
Current assets				
(a)	Inventories	*7*	**35,183,091**	42,222,908
(b)	Financial assets			
	(i) Trade receivables	*8*	**86,648,682**	59,856,110
	(ii) Cash and cash equivalents	*9*	**9,352,342**	5,561,232
(c)	Other current assets	*10*	**1,808,275**	2,465,106
Total current assets			**132,992,390**	110,105,356
Total assets			**212,858,165**	209,690,090
Equity and liabilities				
Equity				
(a)	Equity share capital	*11*	**1,200,000**	1,200,000
(b)	Other equity	*12*	**(28,446,621)**	10,115,004
Total equity			**(27,246,621)**	11,315,004
Non-current liabilities				
(a)	Financial liabilities			
	(i) Borrowings	*13*	**65,000,000**	-
	(ii) Other financial liabilities	*17*	**854,909**	688,464
(b)	Provisions	*14*	**3,729,317**	5,110,132
Total non-current liabilities			**69,584,226**	5,798,596
Current liabilities				
(a)	Financial liabilities			
	(i) Borrowings	*13*	**30,000,000**	90,000,000
	(ii) Trade payables	*16*	**105,661,419**	80,123,463
	(iii) Other financial liabilities	*17*	**7,916,258**	7,752,722
(b)	Provisions	*14*	**26,693,161**	14,509,472
(c)	Other current liabilities	*15*	**249,722**	190,833
Total current liabilities			**170,520,560**	192,576,490
Total liabilities			**240,104,786**	198,375,086
Total equity and liabilities			**212,858,165**	209,690,090

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

As per our report of even date attached.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Nirav Patel
Partner
Membership No: 113327

Mumbai
18 May 2019

For and on behalf of the Board of Directors of
Torrent Pharma Inc.

Sanjay Gupta
Director

New Jersey, USA
18 May 2019

Torrent Pharma Inc.

Statement of profit and loss

for the year ended 31 March 2019

(Currency : USD)

	Note	For the Year ended 31 March 2019	31 March 2018 (Refer note 39)
REVENUE			
Revenue from operations			
Sale of products	*19*	**211,996,221**	163,547,626
Other operating revenue	*19*	**7,299,867**	4,359,413
Revenue from operations (net)		**219,296,088**	167,907,039
Other income	*20*	**262,015**	908,086
Total revenue		**219,558,103**	168,815,125
EXPENSES			
Cost of materials consumed	*21*	**16,573,713**	4,949,357
Purchase of traded goods		**144,558,235**	110,786,956
Change in inventories of finished goods, work-in-progress and traded goods	*22*	**6,080,299**	20,536,467
Employee benefits expense	*23*	**15,210,896**	7,879,178
Finance costs	*24*	**5,399,435**	3,317,068
Depreciation and amortization expense	*31*	**3,161,738**	2,032,103
Other expenses	*25*	**25,653,153**	14,719,426
Total expenditure		**216,637,469**	164,220,555
Profit before exceptional items and tax		**2,920,634**	4,594,570
Exceptional items (impairment of intangible assets and goodwill)	*37*	**51,323,401**	-
Proft / (Loss) before tax		**(48,402,767)**	4,594,570
Tax expense			
Current tax	*33*	**645,430**	-
Deferred tax charge / (credit)	*33*	**(10,765,731)**	785,851
Short / (excess) provision for tax of earlier years	*33*	**(5,978)**	10,502,748
		(10,126,279)	11,288,599
Proft / (Loss) for the year		**(38,276,488)**	(6,694,029)
Other comprehensive income		**(285,137)**	-
Items that will be reclassified to profit or loss			
Effective portion on gains and loss on hedging instruments in a cash flow hedge		**(360,933)**	-
Income tax relating to items that will be reclassified to profit or loss			
Effective portion on gains and loss on hedging instruments in a cash flow hedge		**75,796**	-
Total comprehensive income for the year		**(38,561,625)**	(6,694,029)
Earnings / (Loss) per equity share [nominal value of share USD 100 (previous year : USD 100)]			
Basic	26	**(3,189.71)**	(557.84)

The accompanying notes form an integral part of the financial statements

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Nirav Patel
Partner
Membership No: 113327

Mumbai
18 May 2019

For and on behalf of the Board of Directors of Torrent Pharma Inc.

Sanjay Gupta
Director

New Jersey, USA
18 May 2019

Torrent Pharma Inc.

Statement of changes in equity
for the year ended 31 March 2019

(Currency : USD)

A. Equity share capital

Particulars	Note	Amount
Balance as at 1 April 2017		1,200,000
Changes in equity share capital during FY 2017-18		-
Balance as at 31 March 2018	11	1,200,000
Changes in equity share capital during FY 2018-19		-
Balance as at 31 March 2019	11	**1,200,000**

B. Other equity

Particulars	Retained Earnings	Cash flow Hedge reserve
As at 1 April 2017	**16,809,033**	-
Profit / (Loss) for the year	(6,694,029)	-
Other comprehensive income	-	
Total comprehensive income	**(6,694,029)**	-
As at 31 March 2018	**10,115,004**	-
Profit / (Loss) for the year	(38,276,488)	-
Cashflow hedge reserve (net of tax)	-	(285,137)
Other comprehensive income	-	-
Total comprehensive income	**(38,276,488)**	**(285,137)**
	(28,161,484)	**(285,137)**
As at 31 March 2019		**(28,446,621)**

Retained earnings : Retained earnings are the profits earned till date, less any transfers to other reserves and dividends distributed.

Cash flow hedges : This represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the designated portion of the hedging instruments that are recognised and accumulated under the heading of effective portion of cash flow hedges will be reclassified to statement of profit and loss only when the hedged items affect the profit or loss.

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

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Nirav Patel
Partner
Membership No: 113327

Mumbai
18 May 2019

For and on behalf of the Board of Directors of Torrent Pharma Inc.

Sanjay Gupta
Director

New Jersey, USA
18 May 2019

Torrent Pharma Inc.

Cash Flow Statement

for the year ended 31 March 2019

(Currency : USD)

		31 March 2019	31 March 2018 (Refer note 39)
A	**Cash flows from operating activities**		
	Profit before tax	**(48,402,767)**	4,594,570
	Adjustments for :		
	Depreciation and amortization	**3,161,738**	2,032,103
	Impariment of intangible assets / intangible assets under development & goodwill	**31,263,995**	-
	Bad debts written off	**12,752**	-
	Provision for doubtful debts	**64,885**	12,316
	Loss on sale of property, plant and equipment	**13,113**	-
	Finance costs	**5,399,435**	3,317,068
		(8,486,849)	9,956,057
	Adjustments for changes in working capital :		
	(Increase) in trade receivables and other financial assets	**(26,857,457)**	(30,015,802)
	(Increase) /decrease in other assets	**656,831**	(1,024,155)
	Decrease in inventories	**7,039,817**	21,073,993
	Increase / (decrease) in trade payables and other financial liabilities	**23,718,314**	(204,365)
	Increase / (decrease) in other liabilities	**58,889**	(221,404)
	Increase in provisions	**10,050,428**	1,461,226
	Cash generated from operations	**6,179,973**	1,025,550
	Direct taxes paid	**(176,138)**	(12,962,469)
	Net cash (used) / generated from operating activities	**6,003,836**	(11,936,919)
B	**Cash flows from investing activities**		
	Purchase of property, plant and equipment	**(2,486,256)**	(50,565)
	Purchase of intangible assets	**(5,000)**	(22,112)
	Investments in subsidiaries	-	**(70,281,575)**
	Net cash (used in) investing activities	**(2,491,256)**	(70,354,252)
C	**Cash flows from financing activities**		
	Net proceeds / (Repayment) of long-term borrowings	**65,023,818**	(5,023,818)
	Proceeds from / (repayment) of short term borrowings (net)	**(60,000,000)**	90,000,000
	Finance cost paid	**(4,745,288)**	(2,826,385)
	Net cash generated from financing activities	**278,530**	82,149,797
	Net increase in cash and cash equivalents	**3,791,110**	(141,374)
	Cash and cash equivalents at the beginning of the year	**5,561,232**	5,702,606
	Cash and cash equivalents at the end of the year	**9,352,341**	5,561,232

Torrent Pharma Inc.

Cash Flow Statement
for the year ended 31 March 2019

(Currency : USD)

	31 March 2019	31 March 2018 (Refer note 39)
Notes :		
1. Component of cash and cash equivalents comprise of :		
Balance with bank:		
- Bank balances (in current accounts)	**9,352,342**	5,561,232
Cash and cash equivalents at the end of the year (refer note 9)	**9,352,342**	5,561,232
2 Changes in liabilities arising from financing activities :		
Long-term borrowings :		
Opening balance	**4,976,182**	9,949,417
Amount borrowed / (repaid) during the year	**65,023,818**	(5,023,818)
Amortised cost adjustment	-	50,583
Closing balance	**70,000,000**	4,976,182
Short-term borrowings :		
Opening balance	**90,000,000**	-
Amount borrowed / (repaid) during the year	**(60,000,000)**	90,000,000
Closing balance	**30,000,000**	90,000,000

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

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Nirav Patel
Partner
Membership No: 113327

Mumbai
18 May 2019

For and on behalf of the Board of Directors of Torrent Pharma Inc.

Sanjay Gupta
Director

New Jersey, USA
18 May 2019

Torrent Pharma Inc.

Notes to the financial statements
for the year ended 31 March 2019
(Currency : USD)

1. Company Overview

Torrent Pharma Inc. ('the Company') is a wholly-owned subsidiary of Torrent Pharmaceuticals Limited ("Torrent"), India. The Company was incorporated in the State of Delaware, United States of America in January 2004 to provide liaison, logistical, marketing, regulatory, and other support to Torrent in the United States of America.

In 2007, the Company began selling the generic drug products of Torrent. The Company's main office is located in Baskin Ridge, New Jersey. The regulatory function is managed out of Kalamazoo, Michigan.

2. Basis of preparation

(i) Statement of compliance with Ind AS

These financial statements are prepared in accordance with the Company accounting policies as adopted by its Holding Company, Torrent Pharmaceuticals Limited ('Torrent') which is as per the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Indian Companies Act, 2013 ("the Act").

These financial statements are "special purpose financial statements" and do not constitute a set of statutory financial statements in accordance with the local laws in which the Company is incorporated and are prepared for the sole purpose of Consolidation of Ind AS financial statements of the Company with Torrent.

The financial statements were authorised for issue by the Company's Board of Directors on date 13 May 2019.

Details of accounting policies are included in the Note 3.

(ii) Functional and presentation currency

These financial statements are presented in United States Dollar (USD), which is also the functional currency. All the amounts have been rounded off to the nearest USD, unless otherwise indicated.

(iii) Basis of measurement

The financial statements have/ been prepared on the historical cost basis.

(iv) Use of estimates and judgements

In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

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2. Basis of preparation *(Continued)*

(iv) *Use of estimates and judgements (Continued)*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised prospectively.

Judgements:

There are no significant judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements.

Assumptions and estimation uncertainties:

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 3(h) - amounts deducted from revenue for the projected chargeback, sales returns, rebates and medicaid

Note 3(d) - the amount of inventory obsolescence reserve

Note 29(b) - the amount of provision for failure to supply

(v) *Measurement of fair values*

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

C. Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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3. Significant accounting policies

(a) Financial instruments

i. Derivative financial instruments and hedge accounting

The Company enters into derivative financial instruments to manage its foreign exchange rate risk. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in the statement of profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in statement of profit and loss depends on the nature of the hedging relationship and nature of hedged items.

Derivative financial instruments that hedges foreign currency risk associated with highly probable forecasted transactions are designated as cash flow hedges and measured at fair value. The effective portion of such hedges is recorded in cash flow hedge reserve, as a component of equity, and re-classified to the statement of profit and loss in the period corresponding to the occurrence of the

forecasted transactions. The ineffective portion of such hedges is recorded in the statement of profit and loss immediately.

Hedge effectiveness is tested both at the inception of the hedge relationship as well as on an ongoing basis. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting.

ii. Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, short demand deposits and highly liquid investments, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value. Short term means investments with original maturities / holding period of three months or less from the date of investments. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalent for the purpose of statement of cash flow.

iii. Trade receivables

Trade receivables are amounts due from customers for sale of goods or services performed in the ordinary course of business. Trade receivables are initially recognized at its transaction price which is considered to be its fair value and are classified as current assets as it is expected to be received within the normal operating cycle of the business.

iv. Borrowings

Borrowings are initially recorded at fair value and subsequently measured at amortized costs using effective interest method. Transaction costs are charged to statement of profit and loss as financial expenses over the term of borrowing.

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3. Significant accounting policies *(Continued)*

(a) Financial instruments *(Continued)*

v. Trade payables

Trade payables are amounts due to vendors for purchase of goods or services acquired in the ordinary course of business and are classified as current liabilities to the extent it is expected to be paid within the normal operating cycle of the business.

vi. Other financial assets and liabilities

Other non-derivative financial instruments are initially recognized at fair value and subsequently measured at amortized costs using the effective interest method.

vii. De-recognition of financial assets and liabilities

The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction which substantially all the risk and rewards of ownership of the financial asset are transferred. If the Company retains substantially all the risk and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing 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 derecognized financial liability and the consideration paid is recognized as profit or loss.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation, and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Capital work in progress are those which are not ready for intended use are carried at cost less impairment loss, if any.

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3. Significant accounting policies *(Continued)*

(a) Financial instruments *(Continued)*

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Freehold land is carried at historical cost and not depreciated. Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method, and is generally recognised in the statement of profit and loss.

The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

Leasehold improvements	7 years
Vehicles	5 years
Plant and machinery	5-15 years
Furniture and fixtures	5 to 7 years
Office equipment	5 years

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Based on technical evaluation and consequent advice, the management believes that its estimates of useful lives as given above best represent the period over which management expects to use these assets.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (up to) the date on which asset is ready for use (disposed of).

(c) Intangible assets

(i) Other intangible assets

Other intangible assets including those acquired by the Company are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over the estimated useful lives using the straight line method, and is included in depreciation and amortisation in statement of profit and loss.

The estimated useful lives of intangible assets are as follows:

Product licenses	10-15 years
Non-compete fees	5 years
Software	3 years

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3. Significant accounting policies *(Continued)*

(c) Intangible assets *(Continued)*

(ii) Amortisation (Continued)

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

(iii) Goodwill

Goodwill represents the excess of the consideration paid to acquire a business over underlying fair value of the identified assets acquired. Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is deemed to have an indefinite useful life and is tested for impairment annually or when events or circumstances indicate that the implied fair value of goodwill is less than its carrying amount.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (CGUs) that is expected to benefit from the synergies of the combination. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(iv) Product development expenses

Product development costs including regulatory cost and legal expenses leading to registration and market authorization of the product are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the company has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

(d) Business combinations

Business Combinations are accounted for using the acquisition method of accounting. Transaction costs incurred in connection with business combination are expensed in the statement of profit and loss. The identifiable assets and liabilities that meet the condition for recognition are recognized at their fair values at the acquisition date.

In case of bargain purchase where the fair value of identifiable assets and liabilities exceed the cost of acquisition, the excess is recognised in other comprehensive income on the acquisition date and accumulate the same in equity as capital reserve after reassessing the fair values of the net identifiable assets and contingent liabilities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognised in the statement of profit and loss.

3. Significant accounting policies *(Continued)*

(d) Business combinations *(Continued)*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity of subsidiaries.

Business combinations arising from transfers of interests in entities that are under the common control are accounted for using the pooling of interests method. The assets and liabilities of the combining entities are reflected at their carrying amounts and no adjustments are made to reflect their fair values or recognise any new assets or liabilities. The difference between any consideration given and the aggregate historical carrying amounts of assets and liabilities of the acquired entity are recorded in capital reserve and presented separately from other capital reserves with disclosure of its nature and purpose. The financial statement of prior period is restated as if the business combination had occurred from the beginning of the preceding period, irrespective of the actual date of combination.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the moving average basis, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The comparison of cost and net realisable value is made on an item-by-item basis.

The Company considers various factors like shelf life, ageing of inventories, product discontinuation, price changes and other factors which impact the company's business in determining the allowance for obsolete, non-saleable and slow moving inventories. The company considers the above factor and adjusts the inventory provision to reflect its actual performance on periodic basis.

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3. Significant accounting policies *(Continued)*

(f) Impairment

Financial assets

At each balance sheet date, the Company assesses whether a financial asset is to be impaired. Ind AS 109 requires the Company to apply expected credit loss model for recognition and measurement of impairment loss. In determining the allowances for doubtful trade receivables, the Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The impairment loss is based on the ageing of the receivables that are due and allowance rates used in the provision matrix. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

Non-financial Assets

(i) Tangible and intangible assets

Property, plant and equipment and intangible assets with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in the statement of profit and loss to such extent. When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, such that the increase in the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in statement of profit and loss.

(ii) Goodwill

CGUs to which goodwill has been allocated are tested for impairment annually or more frequently when there is indication for impairment. If the recoverable amount of a CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Determination of recoverable amount of CGU requires the management to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate the present value. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. Significant accounting policies *(Continued)*

(g) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, 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 amount of obligation can be estimated reliably.

(ii) Defined contribution plan

Contribution in case of social security schemes is charged to the statement of profit and loss as and when it is incurred as employee benefits. The Company has an Internal Revenue Code Section 401 (k) retirement plan whereby the Company contributes 3% of all eligible employees' compensation.

(h) Provisions (other than employee benefits)

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. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

(i) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable. This inter alia involves discounting of the consideration due to the present value if payment extends beyond normal credit terms. 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 effective control over, or managerial involvement with, the goods, and the amount of revenue can be measured reliably.

The timing of transfers of risks and rewards varies depending on the individual terms of sale, usually in case of domestic, such transfer occurs when the product is delivered to the customer. Revenue is measured at the fair value of the consideration received or receivable. Sales are net of estimated chargebacks, sales discounts, rebates, prompt pay, shelf stock adjustments due to price revisions, medicaid rebates and estimated returns. The significant adjustments to revenue are broadly explained below;

a) A chargeback is a claim made by the wholesaler for the difference between the price at which the product is initially invoiced to the company and the net price at which it is agreed to be procured from the company. Provision for chargeback is calculated on the basis of historical experience and specific terms in the individual agreements.

3. Significant accounting policies *(Continued)*

(i) Revenue *(Continued)*

b) provision for rebate is calculated on the basis of historical experience and specific terms in the individual agreements.

c) following a decrease in the price of a product, the Company generally grants customers a "shelf stock adjustment" for a customer's existing inventory for the involved product. Provisions for shelf stock adjustments are determined at the time of the price decline or at the point of sale, if the impact of a price decline on the products sold can be reasonably estimated based on the customer's inventory levels of the relevant product..

Effective April 1, 2018, the Group has applied Ind AS 115 Revenue from Contracts with Customers, which outlines single comprehensive model for accounting of revenue arising from contracts with customers and supersedes Ind AS 18 Revenue and Ind AS 11 Construction contracts. The Group applied Ind AS 115 using the modified retrospective approach.

Revenue is measured based on the transaction price adjusted for chargeback, discounts and rebates, which is specified in a contract with customer. Revenue are net of estimated returns, medicaid payments and taxes collected from customers.

Revenue from sale of goods is recognized at point in time when control are transferred to the customer and it is probable that consideration will be collected. Control of goods is transferred upon the shipment of the goods to the customer or when goods is made available to the customer.

The transaction price is documented on the sales invoice and payment is generally due as per agreed credit terms with customer.

The consideration can be fixed or variable. Variable consideration is only recognised when it is highly probable that a significant reversal will not occur.

A chargeback 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. Chargeback, rebates, returns and medicaid payments are variable consideration that is recognised and recorded based on historical experience, market conditions and specific contractual terms. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in line with contractual and legal obligations, trade practices historical trends, past experience and projected market conditions.

Other income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognized when the Company's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of dividend can be measured reliably.

3. Significant accounting policies *(Continued)*

(j) Income tax

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets - unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets or 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 taxable entities, but they intend to settle current tax liabilities and assets on net basis or their tax assists and liabilities will be realised simultaneously.

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3. Significant accounting policies *(Continued)*

(k) Borrowing cost

Borrowing cost are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of cost of asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(l) Leases

Leases in which a significant portion of the risks and rewards incidental to ownership is not transferred to the Company as lessee are classified as operating leases. Lease rentals in respect of assets taken on operating lease are charged to the statement of profit and loss on a straight line basis over the lease term unless the payments are structured to increase in line with the expected general inflation so as to compensate for the lessor's expected inflationary cost increase.

3B. Recent Ind AS

The Company has not applied the following new and revised Ind ASs that have been issued but are not yet effective:

a) In March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) Amendment Rules, 2019, notifying Ind AS 116 Leases and consequential amendments to other standards. The amendments are applicable to the Company from 01-Apr-2019.

Ind AS 116 supersede Ind AS 17. The new standard introduces single lease accounting model for the lessees under which all major leases are recognised on-balance sheet, removing the lease classification test. Lease assets are initially recognised as right of use asset and subsequently measured using the cost model. Lease liabilities are initially measured at present value of future lease payments and subsequently adjusted for interest, payments and remeasurement, if any. Exemption is provided for short-term leases and low value underlying items. Lease accounting for lessors essentially remains unchanged except for additional guidance and new disclosure requirements. The Company is evaluating the impact of Ind AS 116 on its financial statements and plans to adopt on the required effective date using the practical expedients.

b) In March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) Second Amendment Rules, 2019, amending:

i) Ind AS 12- Income Taxes with Appendix C Uncertainty over Income Tax Treatments

The amendments are applicable to the Company from 01-Apr-2019. Appendix C to Ind AS 12 clarifies the recognition and measurement requirements in Ind AS 12 when there is uncertainty over income tax treatments. The Group is evaluating the impact of this amendment on its financial statements.

3. Significant accounting policies *(Continued)*

3B. Recent Ind AS *(Continued)*

ii) Ind AS 19 – Plan Amendment, Curtailment or Settlement

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group does not expect this amendment to have any significant impact on its financial statements.

iii) Ind AS 23 – Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Group does not expect any impact from this amendment.

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Notes to the financial statements *(Continued)*
as at 31 March 2019

(Currency : USD)

4 Property, plant and equipments

	Machinery	Furniture and fixtures	Office equipments	Leasehold improvements	Land	Buildings	Vehicles	Total
Cost								
As at 1 April 2017	59,769	388,887	264,723	181,476				894,855
Additions	3,542,240	-	78,016	-	4,317,701	4,688,530	44,000	12,670,487
Deletions	-	-	-	-				-
As at 31 March 2018	**3,602,009**	**388,887**	**342,739**	**181,476**	**4,317,701**	**4,688,530**	**44,000**	**13,565,342**
As at 1 April, 2018	3,602,009	388,887	342,739	181,476	4,317,701	4,688,530	44,000	13,565,342
Additions	2,340,827	-	99,429	-	-	46,000	-	2,486,256
Deletions	(52,400)	-	(5,276)	-	-	(60,000)	(44,000)	(161,676)
As at 31 March 2019	**5,890,436**	**388,887**	**436,892**	**181,476**	**4,317,701**	**4,674,530**	**-**	**15,889,923**
Accumulated depreciation								
As at 1 April 2017	24,256	164,515	197,054	77,230				463,055
Additions	117,031	65,223	38,110	26,089	-	40,562	1,257	288,272
Deletions	-	-	-	-				-
As at 31 March 2018	**141,287**	**229,738**	**235,164**	**103,319**	**-**	**40,562**	**1,257**	**751,327**
As at 1 April 2018	141,287	229,738	235,164	103,319	-	40,562	1,257	751,327
Additions	604,223	57,847	50,048	26,089	-	201,424	2,101	941,732
Deletions	(14,320)	-	(2,132)	-	-	(1,632)	(3,358)	(21,442)
As at 31 March 2019	**731,190**	**287,585**	**283,080**	**129,409**	**-**	**240,355**	**-**	**1,671,617**
Carrying amount (net)								
As at 31 March 2018	**3,460,722**	**159,149**	**107,575**	**78,157**	**4,317,701**	**4,647,968**	**42,743**	**12,814,015**
As at 31 March 2019	**5,159,246**	**101,302**	**153,813**	**52,067**	**4,317,701**	**4,434,175**	**-**	**14,218,305**
Capital work-in-progress								
As at 31 March 2018								-
As at 31 March 2019								**890,103**
Total								**15,108,409**

(Currency : USD)

5 Goodwill

	31 March 2019	31 March 2018
Cost:		
Balance at beginning of year	**21,550,079**	-
Add : Goodwill arising on business combinations during the year (Refer note 39)	-	21,550,079
Add : Measurement period adjustments	**541,795**	-
Less : Impairment (Refer note 37)	**11,000,000**	-
Balance at end of year	**11,091,874**	21,550,079

The Company tests goodwill for impairment annually or based on an indicator and provides for impairment if the carrying amount of goodwill exceeds its recoverable amount. The recoverable amount is determined based on "value in use" calculations which is calculated as the net present value of forecasted cash flows of cash generating unit (CGU) to which the goodwill relates.

Key assumptions for CGUs with significant amount of goodwill are as follows :
a) Projected cash flows for five years based on financial budgets / forecasts in line with the past experience. The perpetuity value is taken based on the long term growth rate depending on macro economic growth factors
b) Discount rate applied to projected cash flow is 12%.

6 Other intangible assets

	Computer software	Product license**	Non-compete fees	Total
Cost				
As at 1 April 2017	632,447	15,000,000	-	15,632,447
Additions	22,111	6,700,000	700,000	7,422,111
Deletions	-	-	-	-
As at 31 March 2018	**654,558**	**21,700,000**	**700,000**	**23,054,558**
As at 1 April 2018	654,558	21,700,000	700,000	23,054,558
Additions	5,000	-	-	5,000
Deletions	-	(6,700,000)	-	(6,700,000)
As at 31 March 2019	**659,558**	**15,000,000**	**700,000**	**16,359,558**
Accumulated amortization and impairment				
As at 1 April 2017	284,870	3,000,000	-	3,284,870
Additions	126,498	1,589,333	28,000	1,743,831
Deletions	-	-	-	-
As at 31 March 2018	**411,368**	**4,589,333**	**28,000**	**5,028,701**
As at 1 April 2018	411,368	4,589,333	28,000	5,028,701
Additions	133,336	1,946,672	139,998	2,220,006
Impairment*	-	6,163,995	-	6,163,995
Deletions	-	(6,700,000)	-	(6,700,000)
As at 31 March 2019	**544,704**	**6,000,000**	**167,998**	**6,712,702**
Carrying amount (net)				
As at 31 March 2018	**243,190**	**17,110,667**	**672,000**	**18,025,857**
As at 31 March 2019	**114,854**	**9,000,000**	**532,002**	**9,646,856**
Intangible assets under development				
As at 31 March 2018*				24,000,000
As at 31 March 2019* (Net off impairment USD 14,100,000)				9,900,000

* Impairment (Refer note 37)

** Product license acquired from Ranbaxy on 2 April 2015

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Notes to the financial statements *(Continued)*
as at 31 March 2019

(Currency : USD)

		31 March 2019	31 March 2018
7	**Inventories**		
	Raw materials	**2,950,232**	2,782,587
	Packing materials	**262,626**	1,026,259
	Finished goods	**-**	575,114
	Work in progress	**8,248**	61,505
	Traded goods	**31,961,985**	37,777,443
		35,183,091	42,222,908

The write-down of inventories to net realisable value and write off of inventories during the year amounted to USD 2,652,262 (31 March 2018 : USD 8,201,635). The write-down and write off are included in cost of material consumed or changes in inventories of traded goods.

		31 March 2019	31 March 2018
8	**Trade receivables**		
	a) Considered good	**86,648,682**	59,856,110
	b) Significant increase in credit risk	**310,626**	240,636
	Less : Allowance for doubtful trade receivables	**(310,626)**	(240,636)
		86,648,682	59,856,110

(i) The Company's exposure to credit risk and allowance for doubtful trade receivables related to trade receivables are disclosed in note 36

		31 March 2019	31 March 2018
(ii)	Movements in allowance for doubtful trade receivable :		
	Opening balance	**240,636**	228,302
	Add : Provision made during the year (net)	**102,306**	12,334
	Less: Provision used during the year	**(32,316)**	-
	Closing balance	**310,626**	240,636
9	**Cash and cash equivalents**		
	Balances with banks		
	- Current accounts	**9,352,342**	5,561,232
		9,352,342	5,561,232
10	**Other assets**		
	Non-current		
	Capital advances	**545,641**	-
		545,641	-
	Current		
	Prepaid expenses	**909,286**	1,080,157
	Advances to supplier	**133,343**	294,948
	Other receivables	**765,646**	1,090,001
		1,808,275	2,465,106

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Torrent Pharma Inc.

Notes to the financial statements *(Continued)*
as at 31 March 2019

(Currency : USD)

		31 March 2019	31 March 2018
11	**Equity share capital**		
	Authorized		
	100,000 (31 March 2018 : 100,000) equity shares of USD 100 each	**10,000,000**	10,000,000
	Issued, subscribed and paid up		
	12,000 (31 March 2018 : 12,000) equity shares of USD 100 each fully paid up	**1,200,000**	1,200,000

There is no movement in number of equity shares and amount of equity share capital for the year ended 31 March 2019 and 31 March 2018. All the equity shares are held by Torrent Pharmaceuticals Limited (Parent company).

Rights, preferences and restrictions attached to equity shares

The Company has single class of equity shares having a par value of Rs 100 each. Every holder of equity share is entitled to one vote per share. The equity shares are entitled to receive dividends as declared from time to time.

		31 March 2019	31 March 2018
12	**Other equity**		
	Retained earnings		
	At the commencement of the year	**10,115,004**	16,809,033
	Add: Loss for the year	**(38,276,488)**	(6,694,029)
	At the end of the year	**(28,161,484)**	10,115,004
	Other comprehensive income		
	Cashflow hedge reserve (net of tax)	**(285,137)**	-
	At the end of the year	**(28,446,621)**	10,115,004
13	**Borrowings**		
	Non current		
	Loan from bank (Secured)*	**30,000,000**	4,976,182
	Less: Current maturities of non-current borrowings (included in note 17)	**5,000,000**	4,976,182
	Loan from related party (Unsecured)	**40,000,000**	-
	Total non-current borrowings	**65,000,000**	-
	Current		
	Loan from bank (Secured)*	**-**	90,000,000
	Loan from bank (Unsecured)	**30,000,000**	-
	Total current borrowings	**30,000,000**	90,000,000

*Secured term loan from bank carries variable interest rate. The said loan is secured by a continuing security interest in, and a lien upon the inventory, account receivables (including without limitation health-care-insurance receivables) and all proceeds of such inventory and accounts receivable as per section 2 of the Security Agreement. The term loan is guaranteed by Torrent Pharmaceuticals Limited (Parent company).

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Torrent Pharma Inc.

Notes to the financial statements ***(Continued)***
as at 31 March 2019

(Currency : USD)

	31 March 2019	31 March 2018
14 Provisions		
Non-current		
Provision for sales returns (refer note 29a)	3,729,317	5,110,132
	3,729,317	5,110,132
Current		
Provision for sales returns (refer note 29a)	9,534,962	8,992,049
Provision for failure to supply (refer note 29b)	7,643,455	1,652,507
Provision for medicaid rebate (refer note 29c)	3,514,744	3,864,916
Provision for expenses (refer note 29d)	6,000,000	-
	26,693,161	14,509,472
15 Other liabilities		
Current		
Advances from customers	205,724	150,659
Other current liabilities	43,998	40,174
	249,722	190,833
16 Trade payables		
Dues to related parties (refer note 34)	88,982,291	72,090,290
Dues to others	16,679,128	8,033,173
	105,661,419	80,123,463
17 Other financial liabilities		
Non-current		
Contingent consideration payable (refer note 35)	570,000	570,000
Rent equalisation (refer note 30)	70,921	118,464
Derivative financial instruments (refer note 35)	213,988	-
	854,909	688,464
Current		
Current maturities of long term debt (refer note 13)	5,000,000	4,976,182
Rent equalisation (refer note 30)	47,543	42,596
Interest accrued but not due on borrowings	1,094,247	440,100
Derivative financial instruments	169,672	-
Bonus payable	1,604,727	2,252,106
Other payables	69	41,738
	7,916,258	7,752,722

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(Currency : USD)

	31 March 2019	31 March 2018
18 Deferred tax assets (net)		
Deferred tax assets:		
Provision for chargebacks, sales returns and rebates	**15,261,662**	11,885,853
Provision for inventory	**2,057,799**	2,206,977
Provision for bonus	**362,667**	510,909
Excess of depreciation allowable in tax law over books	**5,213,254**	264,429
Provision for failure to supply	**3,029,693**	337,396
Derivative financial instruments	**75,796**	-
Rent equalisation and others	**26,773**	36,538
State NOLs and federal R&D credit carryforward	**189,852**	-
Federal tax losses carried forward	**2,405,881**	2,539,748
	28,623,377	17,781,850

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Torrent Pharma Inc.

Notes to the financial statements *(Continued)*
for the year ended 31 March 2019

(Currency : USD)

		Year ended 31 March 2019	Year ended 31 March 2018
19	**Revenue from operations (net)**		
	Sale of products	**211,996,221**	163,547,626
	Other operating revenue		
	Liasioning & support service	**1,867,677**	1,756,352
	Miscellaneous operating income	**4,845,305**	2,603,061
	Insurance income	**586,885**	-
		7,299,867	4,359,413
		219,296,088	167,907,039
	Reconciliation of revenue from operations with the contracted price :		
	Contracted price	**810,038,837**	605,452,823
	Adjustments :		
	Chargeback, rebates and discounts	**(580,414,616)**	(428,889,957)
	Sales return	**(14,169,548)**	(9,383,042)
	Others	**(3,458,452)**	(3,632,198)
	Sale of products	**211,996,221**	163,547,626
	Add : Other operating revenue	**7,299,867**	4,359,413
	Revenue from operations	**219,296,088**	167,907,039
20	**Other income**		
	Excess provision for failure to supply written back (net) (refer note 29b)	-	818,531
	Rent income	**218,544**	55,649
	Other income	**43,471**	33,906
		262,015	908,086
21	**Cost of materials consumed**		
	Inventory of raw materials and packing materials at the beginning of the year	**4,949,357**	4,372,521
	Add : purchases of raw materials and packing materials	**14,837,214**	4,385,682
	Less : inventory of raw materials and packing materials at the end of the year	**3,212,858**	3,808,846
		16,573,713	4,949,357
22	**Change in inventories of finished goods, work-in-progress and traded**		
	Opening inventory:		
	Finished goods	**575,114**	402,849
	Work-in-progress	**61,505**	-
	Traded goods	**37,777,443**	58,547,680
		38,414,062	58,950,529
	Closing inventory:		
	Finished goods	-	575,114
	Work-in-progress	**8,248**	61,505
	Traded goods	**32,325,514**	37,777,443
		32,333,762	38,414,062
	Net decrease in inventory	**6,080,299**	20,536,467

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Torrent Pharma Inc.

Notes to the financial statements *(Continued)*
for the year ended 31 March 2019

(Currency : USD)

		Year ended 31 March 2019	Year ended 31 March 2018
23	**Employee benefits expense**		
	Salaries and bonus	14,863,771	7,725,593
	Contribution to statutory funds (refer note 28)	347,125	153,585
		15,210,896	7,879,178
24	**Finance costs**		
	Interest expenses	3,878,742	985,595
	Interest on payment of federal tax	-	1,207,833
	Other borrowing cost*	1,520,693	1,123,640
		5,399,435	3,317,068

* Includes guarantee commission amount of USD 1,496,875 (previous year : USD 1,096,875)

		Year ended 31 March 2019	Year ended 31 March 2018
25	**Other expenses**		
	Power and fuel	9,485	7,222
	Labour charges	914,374	491,048
	Repairs and maintenance	751,834	150,182
	Selling, publicity and medical literature expenses	222,828	162,003
	Freight, clearing, handling and forwarding charges	5,675,762	3,960,135
	Product development expenses	5,284,416	3,717,658
	Product process and testing expenses	746,652	653,684
	Provision for doubtful debts	64,885	12,316
	Bad debts written-off	12,752	-
	Travelling, conveyance and vehicle expenses	473,284	418,642
	Communication expenses	172,080	166,477
	Printing and stationery expenses	15,170	14,580
	Rent (refer note 30)	727,185	369,666
	Rates and taxes	314,799	433,417
	Registration expenses	17,455	34,901
	Insurance	981,097	638,131
	Loss on sale of fixed assets	13,113	-
	Payment made to auditors		
	-Audit fees	84,000	56,500
	-Reimbursement of expenses	-	11,432
	Legal and professional fees	3,965,475	2,579,902
	Failure to supply charges (refer note 29b)	3,929,949	-
	Miscellaneous expenses	1,276,558	841,530
		25,653,153	14,719,426

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(Currency : USD)

26 Earnings / (Loss) per share

The basic Earnings / (Loss) Per Share are:

		Year ended 31 March 2019	Year ended 31 March 2018
Net loss for the year (a)	(USD)	**(38,276,488)**	(6,694,029)
Weighted average number of equity shares (b)	(Nos.)	**12,000**	12,000
Loss per share (basic) (a) / (b)	(USD)	**(3,189.71)**	(557.84)
Nominal value per equity share	(USD)	**100**	100

27 Capital commitments *(to the extent not provided for)*

	As at 31 March 2019	As at 31 March 2018
Estimated amount of contracts remaining to be executed on capital account and not provided for	3,012,366	-

28 Retirement plan

The Company has an Internal Revenue Code Section 401(k) retirement plan whereby Company Contributes 3% of all eligible employees compensation. Company's contribution to the plan totalled USD 347,125 for the year ended 31 March 2019 (previous year : USD 153,585).

29 (a) Provision for sales returns

The Company as a trade practice accepts returns from market for formulations which are primarily in the nature of expired or near expiry products. Provision for such returns estimated on the basis of historical experience, market conditions and specific contractual terms are provided for. Details of the provision is as under :

	As at 31 March 2019	As at 31 March 2018
Opening provision	**14,102,181**	13,686,039
Add: Additional provision (net of reversal)	**14,169,548**	9,383,042
Less: Utilization during the year	**15,007,450**	8,966,900
Closing provision	**13,264,279**	14,102,181

(b) Provision for failure to supply

The Company has a contractual obligation towards its customers to pay compensation for item substitution by them in case of failure to supply products by the Company with the stipulated time. Provision for such claims from customers estimated on the basis of quantities non/short delivered by Company against orders from customers and on specific contractual terms are provided for. Details of the provision is as under :

	As at 31 March 2019	As at 31 March 2018
Opening provision	**1,652,507**	2,339,776
Add: Addition / (reversal) net	**6,980,251**	(818,531)
Less: Utilization during the year	**989,303**	(131,262)
Closing provision	7,643,455	1,652,507

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(Currency : USD)

(c) Provision for Medicaid rebate

Pharmaceutical manufacturers whose products are covered by the Medicaid program are required to give rebate to each state a percentage of their average manufacturer's price for the products dispensed. Medicaid rebates are estimated based on historical trends of rebates paid. Details of the provision is as under :

	As at 31 March 2019	As at 31 March 2018
Opening provision	3,864,916	2,702,563
Add: Additional provision (net of reversal)	3,458,452	3,632,198
Less: Utilization during the year	3,808,624	2,469,845
Closing provision	3,514,744	3,864,916

(d) Provision for expenses

Provision is made for expenses towards product recall:

	As at 31 March 2019	As at 31 March 2018
Opening provision	-	-
Add: Additional provision (net of reversal)	6,000,000	-
Less: Utilization during the year	-	-
Closing provision	6,000,000	-

30 Operating lease

A. Leases as lessee

The Company leases office space under non-cancellable operating leases in Basking Ridge New Jersey and Kalamazoo, Michigan. The total future minimum lease payments under these lease are as below :

	As at 31 March 2019	As at 31 March 2018
Not later than 1 Year	297,752	305,940
Later than 1 Year and not later than 5 Years	439,668	737,420
Later than 5 years	-	-
Total	737,420	1,043,360

Lease rentals on above lease amounting to USD 263,801 (previous year USD 263,344) are charged to statement of profit and loss.

The Company has terminated its leases for warehousing and office space at Runway Road, Levittown and manufacturing, R&D and QC space at 220 Rittenhouse Circle as of January 17, 2019 and has charged USD 463,384 (previous year USD 106,322) to statement of profit and loss.

B. Leases as lessor

The Company has leased out its office space for which rental income of USD 218,544 (previous year USD 55,649) has been recognised as rent income in the statement of profit or loss.

31 Depreciation and amortization expense

	Year ended 31 March 2019	Year ended 31 March 2018
Depreciation of Property, plant and equipment	941,732	288,272
Amortization of Intangible assets	2,220,006	1,743,831
Total	3,161,738	2,032,103

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(Currency : USD)

32 Segment reporting

The board of directors of the Company allocate resources and assess the performance of the Company, thus are the Chief Operating Decision Makers (CODM) . The CODM, considering the nature of Company's business and operations, monitors the operating results of the Company as a one, hence there are no separate reportable segments (business and / or geographical) in accordance with the requirement of Indian Accounting Standard 108- "Operating Segments".

A. Information about products and services

The operations of the Company are limited to one segment viz. Pharmaceutical and related products. The products being sold under this segment are of similar nature and relate to the pharmaceutical products only.

B. Information about geographical areas

The Company has operations in the United States of America. The Company does not have geographical distribution of revenue and assets, hence, secondary segmental reporting based on geographical locations of its customers and assets is not applicable to the Company.

C. Information about major customers

The Company has 4 customers for the year ended 31-Mar-2019 and had 5 customers for the year ended 31-Mar-2018 which accounts for more than 10% of the total revenue.

33 Income tax expenses

		As at 31 March 2019	As at 31 March 2018
(a)	**Income tax expenses**		
	Current tax		
	Current tax on profits for the year	645,430	-
	Adjustment for the current tax of prior period	(5,978)	10,502,748
	Total current tax expenses	639,452	10,502,748
	Deferred Tax		
	Decrease/(Increase) in deferred tax assets (net)	(10,765,731)	785,851
	Total deferred tax expenses	(10,765,731)	785,851
	Income tax expenses	(10,126,279)	11,288,599
(b)	**Reconciliation of effective tax rate**		
	(Loss) / Profit before income taxes	(48,402,767)	4,594,570
	Enacted tax rate in USA	21.00%	31.55%
	Expected income tax expenses	(10,164,581)	1,449,587
	Adjustments to reconcile expected income tax expense to reported income tax expense:		
	States income taxes	(177,503)	(395,042)
	Federal research and development credit carryforward	17,064	(21,728)
	Tax adjustments for prior period	-	(97,425)
	Short provision for tax of earlier years	-	10,502,748
	Deferred tax on short provision for tax of earlier years	(5,978)	(10,502,748)
	Deferred tax rate change	208,282	10,359,473
	Others	(3,563)	(6,266)
	Adjusted income tax expenses	(10,126,279)	11,288,599

The federal statutory rate for the Company's corporate income tax changed from 34% to 21% for tax years beginning January 1, 2018 or later. The Company calculated an income tax benefit for the period ended March 31, 2019 of USD 10.2 million and an effective annual income tax rate of 20.56%. The primary cause of the difference between the effective annual income tax rate and a federal statutory rate of 21%, as detailed above, relates to state taxes and change in state deferred rate.

Torrent Pharma Inc.

Notes to the financial statements *(Continued)*
for the year ended 31 March 2019

(Currency : USD)

33 Income tax expenses *(Continued)*

(c) Recognised deferred tax assets and liabilities

	As at 31 March 2019	As at 31 March 2018
Deferred tax liabilities:		
Excess of depreciation allowed in tax law over books	-	-
Deferred tax assets:		
Provision for chargebacks, sales returns and rebates	15,261,662	11,885,853
Provision for inventory	2,057,799	2,206,977
Provision for bonus	362,667	510,909
Excess of depreciation allowable in tax law over books	5,213,254	264,429
Provision for failure to supply	3,029,693	337,396
Derivative financial instruments	75,796	-
Rent equalisation and others	26,773	36,538
State NOLs and federal R&D credit carryforward	189,852	-
Federal tax losses carried forward*	2,405,881	2,539,748
	28,623,377	17,781,850

* Deferred tax amounting to INR 2,405,881 (31 March 2018: 2,539,748) has been recognized as there is reasonable certainty that deferred tax asset on federal tax losses will be utilized against future taxable income. Further, as per U.S. tax regulations, federal tax losses incurred after 1/1/2018 have an indefinite carryover period however, their usage is limited to 80% of taxable income.

Torrent Pharma Inc.

Notes to the financial statements *(Continued)*
for the year ended 31 March 2019

(Currency : USD)

33 Income tax expenses *(Continued)*

(d) Recognised deferred tax assets

Movement in temporary differences - 31 March 2019

Particulars	Balance as at 1 April 2018	Recognised in profit or loss during 2018-19	Recognised in OCI during 2018-19	Balance as at 31 March 2019
Provision for chargebacks, sales returns and rebates	11,885,853	3,375,809	-	15,261,662
Provision for inventory	2,206,977	(149,178)	-	2,057,799
Provision for bonus	510,909	(148,242)	-	362,667
Excess of depreciation allowable in tax law over books	264,429	4,948,825	-	5,213,254
Provision for failure to supply	337,396	2,692,297	-	3,029,693
Derivative financial instruments	-	0	75,796	75,796
Rent equalisation and others	36,537	(9,764)	-	26,773
State NOLs and federal R&D credit carryforward	-	189,852	-	189,852
Federal tax losses carried forward	2,539,748	(133,867)	-	2,405,881
	17,781,849	10,765,732	75,796	28,623,377

Movement in temporary differences - 31 March 2018

Particulars	Balance as at 1 April 2017	Recognised in profit or loss during 2017-18	Recognised in OCI during 2017-18	Balance as at 31 March 2018
Provision for chargebacks, sales returns, shelf stock adjustment	5,541,091	6,344,762	-	11,885,853
Provision for inventory	11,629,741	(9,422,764)	-	2,206,977
Provision for bonus	668,853	(157,944)	-	510,909
Excess of depreciation allowable in tax law over books	253,111	11,318	-	264,429
Provision for failure to supply	379,128	(41,732)	-	337,396
Rent equalisation and others	95,776	(59,239)	-	36,537
Federal tax losses carried forward	-	2,539,748	-	2,539,748
	18,567,700	(785,851)	-	17,781,849

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Torrent Pharma Inc.

Notes to the Financial Statements *(Continued)*
for the year ended 31 March 2019

(Currency : USD)

34 Related party disclosures

-Holding Company of the Company Torrent Pharmaceuticals Limited

Related party transactions for the year ended on 31 March 2019

Particulars	Holding Company/ Fellow Subsidiary Company/Subsidiary 2019	2018
(A) Nature of transactions		
Purchase of traded goods		
Torrent Pharmaceuticals Limited	**140,503,525**	98,054,345
Liaison support service income		
Torrent Pharmaceuticals Limited	**1,867,677**	1,756,352
Interest expense		
Heumann Pharma Gmbh & Co. Generica KG	**766,507**	-
Guarantee commission expense		
Torrent Pharmaceuticals Limited	**1,496,875**	1,096,875
Software development		
Torrent Pharmaceuticals Limited	**-**	11,046
Purchase of capital goods		
Torrent Pharmaceuticals Limited	**46,825**	-
Expenses reimbursement - paid		
Torrent Pharmaceuticals Limited	**522,244**	3,176
Torrent Pharma GmbH	**1,932**	1,368
Receipt of loan		
Heumann Pharma GmbH & Co. Generica KG	**40,000,000**	-
Expenses reimbursement - received		
Torrent Pharmaceuticals Limited	**2,522**	-
Torrent do Brasil Ltda	**-**	-
Sales of material and consumables		
Torrent Pharmaceuticals Limited	**4,965,009**	-
Corporate guarantee obtained		
Torrent Pharmaceuticals Limited	**60,000,000**	-

(B) Balances at the end of the year	**2019**	2018
Trade payables		
Torrent Pharmaceuticals Limited	**88,982,291**	72,088,923
Heumann Pharma GmbH & Co. Generica KG	**40,766,507**	-
Torrent Pharma GmbH	**-**	1,368
Outstanding corporate guarantee obtained at the year end		
Torrent Pharmaceuticals Limited	**155,000,000**	95,000,000

All transaction with this related parties are priced on an arm's length basis.

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(Currency : USD)

35 Financial Instruments

(i) Financial assets and liablities

The following tables shows the carring amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy as of 31 March 2019.

(Currency : USD)

Particulars	Fair Value through P&L	Fair Value through OCI	Amortised Cost	Total carrying value
Financial Assets:				
Cash and Cash Equivalents	-	-	9,352,342	9,352,342
Trade Receivables	-	-	86,648,682	86,648,682
Other Financial Assets	-	-	1,375	1,375
Investments				
Total	-	-	**96,002,399**	**96,002,399**
Financial Liabilities				
Borrowings	-		95,000,000	95,000,000
Trade Payables	-	-	105,661,419	105,661,419
Other Financial Liabilities	570,000	383,660	7,817,507	8,771,167
Total	**570,000**	**383,660**	**208,478,926**	**209,432,586**

(Currency : USD)

Particulars	Total carrying value	Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and Cash Equivalents	9,352,342	-	-	-	-
Trade Receivables	86,648,682	-	-	-	-
Other Financial Assets	1,375	-	-	-	-
Investments	-	-	-	-	-
Total	**96,002,399**	-	-	-	-
Financial Liabilities					
Borrowings	95,000,000	-	-	-	-
Trade Payables	105,661,419	-	-	-	-
Other Financial Liabilities**	7,817,507	-	383,660	570,000	953,660
Total	**208,478,926**	-	**383,660**	**570,000**	**953,660**

** Management does not expect any significant change in liability on settlement

The following tables shows the carring amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy as of 31 March 2018.

(Currency : USD)

Particulars	Fair Value through P&L	Fair Value through OCI	Amortised Cost	Total carrying value
Financial Assets:				
Cash and Cash Equivalents	-	-	5,561,232	5,561,232
Trade Receivables	-	-	59,856,110	59,856,110
Other Financial Assets	-	-	1,375	1,375
Investments	-	-	-	-
Total	-	-	**65,418,717**	**65,418,717**
Financial Liabilities				
Borrowings	-	-	90,000,000	90,000,000
Trade Payables	-	-	80,123,463	80,123,463
Other Financial Liabilities	570,000	-	7,828,590	8,398,590
Total	**570,000**	-	**177,952,053**	**178,522,053**

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Torrent Pharma Inc.

Notes to the financial statements *(Continued)*
for the year ended 31 March 2019

(Currency : USD)

35 Financial Instruments *(Continued)*

Particulars	Total carrying value	Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and Cash Equivalents	5,561,232	-	-	-	-
Trade Receivables	59,856,110	-	-	-	-
Other Financial Assets	1,375	-	-	-	-
Investments	-				
Total	**65,418,717**	-	-	-	-
Financial Liabilities					
Borrowings	90,000,000	-	-	-	-
Trade Payables	80,123,463	-	-	-	-
Other Financial Liabilities	7,828,590	-	-	570,000	570,000
Total	**177,952,053**	-	-	**570,000**	**570,000**

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Torrent Pharma Inc.

Notes to the financial statements *(Continued)*
for the year ended 31 March 2019

(Currency : USD)

35 Financial Instruments *(Continued)*

(i) Financial assets and liablities *(Continued)* :

Determination of fair values:

The following are the basis of assumptions used to estimate the fair value of financial assets and liabilities that are measured at fair value on recurring basis :

Contingent consideration : The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast revenue and EBITDA, the amount to be paid under each scenario and the probability of each scenario.

Interest rate swaps : The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricng interest rate swaps. The fair value estimates is subject to a credit risk adjustment that reflcets the credit risk of the respective group entity and of the counterparty; this calculated based on credit spreds derived from current credit default swap or bond prices.

(ii) Derivative financial instruments

Cash flow hedges :
Derivatives are taken to cover risk of variability in the interest rate, of the borrowings made at a floating rate of interest. The following are outstanding derivative contracts designated as cash flow hedges :

Nature of derivative contracts	Currency	Buy/Sell	Net Position		Fair value Gain / (Loss)	
			31 March 2019	31 March 2018	**31 March 2019**	31 March 2018
Interest rate swaps	USD	Buy	**30,000,000**	-	**(360,933)**	-
Less : Deferred tax			-	-	**75,796**	-
Balance in cash flow hedge reserve			**30,000,000**	-	**(285,137)**	-

The movement of cash flow hedge in other comprehensive income is as follow :

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Balance at the beginning of the year	-	-
(Gain) / losses reclassified to profit or loss	-	-
Deferred tax on (gains) / losses reclassified to profit or loss	-	-
Change in the fair value of effective portion of cash flow hedges	(360,933)	-
Deferred tax on fair value of effective portion of cash flow hedges	75,796	-
Balance at the end of the year	**(285,137)**	-

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(Currency : USD)

36 Financial Risk Management

The group has exposure to the following risks arising from financial instruments
- Credit Risk
- Liquidity Risk
- Market Risk

i. Risk Management Framework

The Company's activities are exposed to financial risks. These risks include market risk, credit risks and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company through established policies and processes which are laid down to ascertain the extent of risks, setting appropriate limits and controls and continuous monitoring and compliance of the same.

ii 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.

Other financial assets
The company maintains its cash and cash equivalents with banks having good reputation, good past track record and high quality credit rating and also reviews their credit-worthiness on an on-going basis.

Trade receivables
Trade receivables of the company are typically unsecured. Credit risk is managed through credit approvals and periodic monitoring of the creditworthiness of customers to which company grants credit terms in the normal course of business. The company performs ongoing credit evaluations of its customers' financial condition and monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business. The allowance for impairment of trade receivables is created to the extent and as and when required, based upon the expected collectability of accounts receivables.

The maximum exposure to credit risk was USD 96,001,024 (31 March 2018 USD 65,417,342) being the total of the carrying amount of trade receivables and balances with banks.

As at 31 March 2019, the carrying amount of the Company's significant customer is USD 47,330,818 (31 March 2018 : USD 33,134,225)

The Companies exposure to credit risk for trade receivables and loans by type of counterparty is as follows.

	31 March 2019	31 March 2018
Wholesaler	64,592,174	42,145,927
Other customers	22,056,508	17,710,183
Total	86,648,682	59,856,110

Impairment
The ageing of trade and other receivables that were not impaired was as follows.

As at 31 March 2019

Particulars	Gross	Provision	Net
Neither past due nor impaired	79,212,445	-	79,212,445
Upto 30 days	6,947,329	-	6,947,329
Between 31-90 days	488,908	-	488,908
Above 180 days	310,626	310,626	-
	86,959,308	310,626	86,648,682

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Torrent Pharma Inc.

Notes to the financial statements *(Continued)*
for the year ended 31 March 2019

(Currency : USD)

36 Financial Risk Management *(Continued)*

ii Credit risk *(Continued)*

Impairment *(Continued)*

As at 31 March 2018

Particulars	Gross	Provision	Net
Neither past due nor impaired	55,659,427	-	55,659,427
Upto 30 days	3,537,014	-	3,537,014
Between 31–90 days	658,025	-	658,025
Between 91–180 days	1,645	-	1,645
Above 180 days	240,636	240,636	-
	60,096,747	240,636	59,856,111

The above financial assets were not impaired as there had not been a significant change in credit quality and the amounts were still considered recoverable based on the nature of the activity of the customer portfolio to which they belong and the type of customers. There are no other classes of financial assets that are past due but not impaired except for Trade receivables as at 31 March 2019 and 31 March 2018.

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(Currency : USD)

36 Financial Risk Management *(Continued)*

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has access to following undrawn borrowing facilities at the end of the reporting period;

	31 March 2019	31 March 2018
Floating Rate		
Loan from bank (Unsecured)	**20,000,000**	-
	-	-
	20,000,000	-

Exposure to liquidity risk
The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

As at 31-Mar-19	Due in Year 1	Due in Year 2	Due in Year 3 to 5	Total
Liabilities :				
Trade and other payables	105,661,419	-	-	105,661,419
Borrowings	-	5,000,000	90,000,000	95,000,000
Other Liabilities	8,201,167	-	570,000	8,771,167
Total	**113,862,586**	**5,000,000**	**90,570,000**	**209,432,586**

As at 31-Mar-18	Due in Year 1	Due in Year 2	Due in Year 3 to 5	Total
Liabilities :				
Trade and other payables	80,123,463	-	-	80,123,463
Borrowings	90,000,000	-	-	90,000,000
Other Liabilities	7,828,590	-	570,000	8,398,590
Total	**177,952,053**	-	**570,000**	**178,522,053**

iv. Market risk

Market risk refers to risk of fluctuation in fair values or future cash flows because of changes in market rates or prices. The Company's exposure from market risks is primarily on account of interest rate risk.

Interest rate risk
The company's 70% of interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest swaps as hedges of the variability in cash flows attributable to interest rate risk.
Borrowings amounting to USD 60 million are at floating interest rate, of which for USD 30 million the Company has used interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

Sensitivity analysis for floating rate of interest loans
In respect of borrowings, the outstanding loan with variable rate of interest is not significant as compared to total amount of borrowings and hence interest rate sensitivity has not been performed.

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Torrent Pharma Inc.

Notes to the financial statements *(Continued)*
for the year ended 31 March 2019

(Currency : USD)

37 Exceptional items

a) Impairment of intangible assets

Impairment loss in the statement of profit and loss pertains to goodwill, certain intangible assets and intangible assets under development recognised as part of acquisition of Bio-Pharm, Inc. summarised as under:

USD Million

	Year ended 31-Mar-2019	Year ended 31-Mar-2018
Intangible assets	6.16	-
Intangible assets under development	14.10	-
Goodwill	11.00	-
Total	**31.26**	-

The above assets and the related goodwill form part of the acquisition of Bio Pharm Inc., a Pennsylvania based manufacturing entity (merged with Torrent Pharma Inc. w.e.f. 1 January 2019), and have been impaired primarily on account of:
(i) Up-gradation of the facility due to regulatory developments causing temporary disruption and cancellation of customer contracts.
(ii) Change in product development strategy.

The impairment loss has been determined by considering each individual intangible asset group (product under development, customer contracts etc.) as a cash generating unit (CGU). Goodwill which arose upon acquisition has been apportioned to groups of CGU's for the purpose of carrying out impairment test. Recoverable amount (i.e. higher of value in use and fair value less cost to sell) of each individual CGU was compared to carrying value and impairment amount was arrived as follows:

1. CGUs where carrying value was higher than recoverable amount were impaired.
2. Goodwill was apportioned to remaining CGUs. The recoverable value was then compared with carrying value of Group of CGUs and impairment loss was recognised against goodwill.
3. CGUs where recoverable amount was higher than carrying value were carried at carrying value.

Value in use is calculated using a discounted expected cash flow approach, with a post-tax discount rate applied to the projected risk adjusted post-tax cash flows and terminal value. The discount rate is the weighted average cost of capital of the group of cash-generating units relating to erstwhile Bio Pharm Inc. For assessing value in use, the cash flow projections are based on the most recent long-term forecasts approved by management. The long-term forecasts include management's latest estimates on sales volume and pricing as well as production and other operating costs.

Other key assumptions used in the calculations are the period of cash flow projections included in the long-term forecasts, the terminal value growth rate and the discount rate.

Key assumptions for CGUs are as follows:
a) Projected cash flows for five years based on financial budgets / forecasts in line with the past experience. The perpetuity value is taken based on the long term growth rate depending on macro economic growth factors.
b) Discount rate applied is disclosed in note 5.

b) Recall expense

The Company has charged USD 20.06 million to the consolidated statement of profit and loss in relation to product recalls made during the current year. These expenses includes write down of inventory, certain contractual obligations and recall expenses.

B S R & Co. LLP
Ahmedabad

(Currency : USD)

38 Capital management

The capital structure of the Company consists of equity, debt, cash and cash equivalents. The Company's objective for capital management is to maintain the capital structure which will support the Company's strategy to maximize shareholder's value, safeguarding the business continuity and help in supporting the growth of the Company.

39 Business Combination

The Company had acquired 100 % shares of Bio Pharm Inc. (BPI) on 17 January 2018. In the current year BPI has been merged with the Company with effect from 01 January 2019, after obtaining regulatory approvals. In accordance with Appendix C to Ind AS 103, carrying values of assets, liabilities and reserves of BPI appearing in the Consolidated Financial Statement of Torrent Pharmaceuticals Limited ('Parent company'), is recognised in the financial statement of the Company. Further, since the transaction is a common control transaction, financial statements in respect of prior period FY 2017-18 has been restated from the date of acquisition i.e. 17 January 2018.

Carrying values of assets and liabilities of BPI as on the date of acquisition are pooled from the Consolidated Financial Statement of the Parent company and are as under :

Particulars	**USD Million**
Assets acquired	
- Working capital (net)	4.71
- Identified intangible assets (including intangibles under development)	31.40
- Property plant and equipments	12.62
- Goodwill	21.55
Total	**70.28**

40 Recall expenses

The Company has charged USD 15.33 million to the statement of profit and loss in relation to various product recall made during the current year. Recall expenses includes write down of inventory, certain contractual provisions and expenses incurred in servicing the customers for theses recalls.

41 Litigations and Contingencies

The Company is a party to a lawsuit filed by Antrim Pharmaceuticals LLC (Antrim) in the United States District Court for the Northern District of Illinois. In this case Antrim Pharmaceuticals LLC is asserting two claims against Bio-Pharm: (1) breach of an alleged oral agreement to manufacture the two products at issue (Escitalopram and Ondansetron); and (2) unjust enrichment. Antrim is seeking claims for "lost profits" for being unable to sell both products as a result of the Company's alleged breach and for Antrim's lost enterprise value. Bio-Pharm denies the allegations and has also asserted two counterclaims for promissory estoppel or in alternative, its own claim for breach of an oral contract. Both the parties have filed a motion for summary judgement. Taking into consideration the facts and circumstances and legal counsel opinion, outcome cannot be predicted since the matter is at an initial stage. Any liability, including legal cost and other cost incurred by the Company in connection with this litigation is fully indemnified by the Sellers through the Share Purchase Agreement (SPA) entered into with them by the Parent Company, Torrent Pharma Inc.

42 Subsequent events

There are no significant subsequent events that would require adjustments or disclosures in the financial statements as on the balance sheet date.

Torrent Pharma Inc.

Notes to the financial statements *(Continued)*
for the year ended 31 March 2019

(Currency : USD)

43 Regrouping

Previous period figures have been regrouped / reclassed wherever necessary, so as to make them comparable with those of the current year.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Nirav Patel
Partner
Membership No: 113327

Mumbai
18 May 2019

For and on behalf of the Board of Directors of
Torrent Pharma Inc.

Sanjay Gupta
Director

New Jersey, USA
18 May 2019