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## **Interoffice audit report on financial information prepared for consolidation purposes**

B S R & Co LLP

Chartered Accountants

Ahmedabad

India

We have audited the financial information prepared for consolidation purposes of Torrent do Brasil Ltda ("the Company"), on the attached file in Appendix I to this report. We conducted our audit in accordance with the International Standards on Auditing.

In our opinion, the financial information prepared for consolidation purposes as of and for the year ended 31 March 2018 has been prepared, in all material respects, in conformity with the group accounting policy of Torrent Pharmaceuticals Limited

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

Jeremy Nicolas Taylor  
KPMG Auditores Independentes  
30 April 2018  
São Paulo, Brazil

**Torrent Do Brasil Ltda.**  
**Balance Sheet**

		As at		Amt. in Lacs	
	Notes	31-Mar-2018	31-Mar-2018	31-Mar-2017	31-Mar-2017
		BRL	INR	BRL	INR
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	1	101.33	1,982.95	111.28	2,277.25
Capital work-in-progress		2.27	44.42	2.26	46.25
Other intangible assets	1	3.85	75.34	5.34	109.28
Financial assets					
Other financial assets	2	53.78	1,052.43	43.52	890.60
Deferred tax assets (net)		293.59	5,745.32	333.32	6,821.09
		<u>454.82</u>	<u>8,900.46</u>	<u>495.72</u>	<u>10,144.47</u>
<b>Current assets</b>					
Inventories	4	365.02	7,143.15	443.87	9,083.40
Financial assets					
Trade receivables	5	1,218.82	23,851.33	1,083.36	22,169.99
Cash and cash equivalents	6	195.05	3,816.97	79.98	1,636.72
Other financial assets	2	13.84	270.84	0.00	0.03
Other current assets	3	50.53	988.83	158.13	3,235.96
		<u>1,843.26</u>	<u>36,071.12</u>	<u>1,765.34</u>	<u>36,126.10</u>
<b>TOTAL</b>		<u><b>2,298.08</b></u>	<u><b>44,971.58</b></u>	<u><b>2,261.06</b></u>	<u><b>46,270.57</b></u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Equity share capital	7	191.44	3,746.33	191.44	3,917.65
Other equity	8	57.62	1,127.58	(228.47)	(4,675.43)
		<u>249.06</u>	<u>4,873.91</u>	<u>(37.03)</u>	<u>(757.78)</u>
<b>Non-current liabilities</b>					
Financial liabilities					
Borrowings	9	-	-	521.20	10,665.89
Provisions	11	103.97	2,034.61	125.78	2,573.97
		<u>103.97</u>	<u>2,034.61</u>	<u>646.98</u>	<u>13,239.86</u>
<b>Current liabilities</b>					
Financial liabilities					
Borrowings	9	588.53	11,517.06	246.72	5,048.90
Trade payables		932.34	18,245.13	906.20	18,544.57
Other financial liabilities	10	116.04	2,270.81	312.63	6,397.69
		<u>1,636.91</u>	<u>32,033.00</u>	<u>1,465.55</u>	<u>29,991.16</u>
Other current liabilities	12	80.62	1,577.67	37.72	771.91
Provisions	11	62.45	1,222.10	33.65	688.62
Liabilities for current tax (net)		165.07	3,230.29	114.19	2,336.80
		<u>1,945.05</u>	<u>38,063.06</u>	<u>1,651.11</u>	<u>33,788.49</u>
<b>TOTAL</b>		<u><b>2,298.08</b></u>	<u><b>44,971.58</b></u>	<u><b>2,261.06</b></u>	<u><b>46,270.57</b></u>

All monetary and non-monetary items in the balance sheet have been translated at closing rate of 1 REAI = Rs. 19.5692 (20.4641)

**Torrent Do Brasil Ltda.**  
**Statement of Profit and Loss**

	Notes	Year Ended 31-Mar-2018 BRL	Year Ended 31-Mar-2018 INR	Year Ended 31-Mar-2017 BRL	Amt. in Lacs Year Ended 31-Mar-2017 INR
<b>REVENUE</b>					
Revenue from operations	13	3,483.32	68,165.79	3,392.04	69,415.05
Other income	14	16.09	314.87	8.15	166.78
<b>Total Revenue</b>		<b>3,499.41</b>	<b>68,480.66</b>	<b>3,400.19</b>	<b>69,581.83</b>
<b>EXPENSES</b>					
Purchases of stock-in-trade		1,281.85	25,084.78	1,450.38	29,680.72
Changes in inventories of finished goods, work-in-progress and stock-in-trade	15	78.85	1,543.03	(63.65)	(1,302.54)
Employee benefits expense	16	806.16	15,775.91	790.36	16,174.01
Finance costs	17	57.30	1,121.32	68.18	1,395.24
Depreciation and amortisation expense		18.01	352.44	18.09	370.20
Other expenses	18	798.10	15,618.18	908.55	18,592.66
<b>Total Expenses</b>		<b>3,040.27</b>	<b>59,495.66</b>	<b>3,171.91</b>	<b>64,910.29</b>
<b>PROFIT BEFORE TAX</b>		<b>459.14</b>	<b>8,985.00</b>	<b>228.28</b>	<b>4,671.54</b>
<b>TAX EXPENSE</b>					
Current tax		133.32	2,608.97	171.22	3,503.86
Deferred tax charge / (credit)		39.73	777.48	(67.78)	(1,387.06)
		<b>173.05</b>	<b>3,386.45</b>	<b>103.44</b>	<b>2,116.80</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>286.09</b>	<b>5,598.55</b>	<b>124.84</b>	<b>2,554.74</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>286.09</b>	<b>5,598.55</b>	<b>124.84</b>	<b>2,554.74</b>

**Torrent Do Brasil Ltda.**  
**Notes annexed to and forming part of the Financial Statements**

	As at 31-Mar-2018 BRL	As at 31-Mar-2018 INR	As at 31-Mar-2017 BRL	Amt. in Lacs As at 31-Mar-2017 INR
<b>NOTE - 2 : OTHER FINANCIAL ASSETS</b>				
<b>Non-current</b>				
Security deposits	53.78	1,052.43	43.52	890.60
<b>Current</b>				
Derivative financial instruments	13.84	270.84	-	-
	<u>67.62</u>	<u>1,323.27</u>	<u>43.52</u>	<u>890.60</u>
<b>NOTE - 3 : OTHER ASSETS</b>				
<b>Current</b>				
Claims receivable: Indirect tax				
Considered good	2.01	39.33	101.35	2,074.04
Employees advances	3.50	68.49	6.11	125.04
Prepaid expenses	45.02	881.01	50.67	1,036.89
	<u>50.53</u>	<u>988.83</u>	<u>158.13</u>	<u>3,235.97</u>
<b>NOTE - 4 : INVENTORIES</b>				
[At lower of cost and net realisable value]				
Finished goods	365.02	7,143.15	443.87	9,083.40
	<u>365.02</u>	<u>7,143.15</u>	<u>443.87</u>	<u>9,083.40</u>
<b>NOTE - 5 : TRADE RECEIVABLES</b>				
Considered good	1,218.82	23,851.33	1,083.36	22,169.99
Considered doubtful	27.22	532.67	25.87	529.41
Less : Allowance for doubtful trade receivables	27.22	532.67	25.87	529.41
	<u>1,218.82</u>	<u>23,851.33</u>	<u>1,083.36</u>	<u>22,169.99</u>
<b>NOTE -6 : CASH AND CASH EQUIVALENTS</b>				
Cash on hand	-	-	-	-
Balances with banks	195.05	3,816.97	79.98	1,636.72
	<u>195.05</u>	<u>3,816.97</u>	<u>79.98</u>	<u>1,636.72</u>
<b>NOTE - 7 : SHARE CAPITAL</b>				
Subscribed and paid-up	191.44	3,746.33	191.44	3,917.65
	<u>191.44</u>	<u>3,746.33</u>	<u>191.44</u>	<u>3,917.65</u>
<b>NOTE - 8 : OTHER EQUITY</b>				
Retained earnings	57.62	1,127.57	(228.47)	(4,675.43)
	<u>57.62</u>	<u>1,127.57</u>	<u>(228.47)</u>	<u>(4,675.43)</u>

**Torrent Do Brasil Ltda.**

	As at 31-Mar-2018 BRL	As at 31-Mar-2018 INR	As at 31-Mar-2017 BRL	Amt. in Lacs As at 31-Mar-2017 INR
<b>NOTE - 9 : BORROWINGS</b>				
<b>Non-current</b>				
Unsecured borrowings	-	-	521.20	10,665.93
<b>Current</b>				
Unsecured loans	588.53	11,517.06	246.72	5,048.90
	<u>588.53</u>	<u>11,517.06</u>	<u>767.92</u>	<u>15,714.83</u>
<b>NOTE - 10 : OTHER FINANCIAL LIABILITIES</b>				
<b>Current</b>				
Payables for employee benefits	90.90	1,778.84	80.88	1,655.14
Derivative financial instruments	23.96	468.88	230.40	4,714.93
Other payables	1.18	23.09	1.35	27.63
	<u>116.04</u>	<u>2,270.81</u>	<u>312.63</u>	<u>6,397.70</u>
<b>NOTE - 11 : PROVISIONS</b>				
<b>Non-current</b>				
Provision for expenses	103.97	2,034.61	125.78	2,573.97
<b>Current</b>				
Provision for sales returns	62.45	1,222.10	33.65	688.62
	<u>166.42</u>	<u>3,256.71</u>	<u>159.43</u>	<u>3,262.59</u>
<b>NOTE - 12 : OTHER LIABILITIES</b>				
<b>Current</b>				
Payables to statutory and other authorities	80.62	1,577.67	37.72	771.91
	<u>80.62</u>	<u>1,577.67</u>	<u>37.72</u>	<u>771.91</u>
	Year Ended 31-Mar-2018 BRL	Year Ended 31-Mar-2018 INR	Year Ended 31-Mar-2017 BRL	Amt. in Lacs Year Ended 31-Mar-2017 INR
<b>NOTE - 13 : REVENUE FROM OPERATIONS</b>				
<b>Sales</b>				
Sales outside India	3,481.78	68,135.65	3,385.82	69,287.76
<b>Operating Income</b>				
Other operating income	1.54	30.14	6.22	127.29
	<u>3,483.32</u>	<u>68,165.79</u>	<u>3,392.04</u>	<u>69,415.05</u>
<b>NOTE - 14 : OTHER INCOME</b>				
Interest income	14.41	281.99	8.15	166.78
Profit on sale of fixed assets	1.68	32.88	-	-
	<u>16.09</u>	<u>314.87</u>	<u>8.15</u>	<u>166.78</u>

**Torrent Do Brasil Ltda.**

	Year Ended 31-Mar-2018	Year Ended 31-Mar-2018	Year Ended 31-Mar-2017	Amt. in Lacs Year Ended 31-Mar-2017
	BRL	INR	BRL	INR
<b>NOTE - 15 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE</b>				
Opening inventories				
Finished goods	443.87	8,686.18	380.22	7,780.86
Less : Closing inventories				
Finished goods	365.02	7,143.15	443.87	9,083.40
Net (increase) / decrease in inventories	<u>78.85</u>	<u>1,543.03</u>	<u>(63.65)</u>	<u>(1,302.54)</u>
<b>NOTE - 16 : EMPLOYEE BENEFITS EXPENSE</b>				
Salaries, wages and bonus	583.76	11,423.72	590.15	12,076.89
Contribution to provident and other funds	178.46	3,492.32	162.10	3,317.23
Staff welfare expenses	43.94	859.87	38.11	779.89
	<u>806.16</u>	<u>15,775.91</u>	<u>790.36</u>	<u>16,174.01</u>
<b>NOTE - 17 : FINANCE COSTS</b>				
Interest expense	57.30	1,121.32	68.18	1,395.24
	<u>57.30</u>	<u>1,121.32</u>	<u>68.18</u>	<u>1,395.24</u>
<b>NOTE - 18 : OTHER EXPENSES</b>				
Power and fuel	1.59	31.12	1.45	29.67
Cost of outsourced manpower	26.35	515.65	0.49	10.03
Repairs and maintenance	3.73	72.99	3.23	66.10
Selling, publicity and medical literature expense	410.87	8,040.40	325.53	6,661.68
Commission on sales	(0.11)	(2.15)	0.33	6.75
Allowance for doubtful debts	1.35	26.42	(1.78)	(36.43)
Travelling, conveyance and vehicle expenses	107.80	2,109.56	90.86	1,859.37
Registration expenses	9.36	183.17	7.37	150.82
Rent	44.71	874.94	40.31	824.91
Rates and taxes	23.41	458.11	17.75	363.24
Professional and legal fees	60.49	1,183.74	121.42	2,484.75
Communication expenses	13.47	263.60	15.03	307.58
Printing and stationery expenses	1.27	24.85	2.14	43.79
Insurance	1.40	27.40	1.40	28.65
Loss on sale / discard / write-off of property, plant & equipments	-	-	0.03	0.61
Net foreign exchange Loss	73.71	1,442.45	256.97	5,258.66
Auditors remuneration and expenses	1.30	25.44	2.69	55.05
General charges	17.40	340.50	23.33	477.43
	<u>798.10</u>	<u>15,618.19</u>	<u>908.55</u>	<u>18,592.66</u>

Torrent Do Brasil Ltda.

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

Amt. in lacs

Particulars	Gross Block (At Cost)				Depreciation and amortisation				Net Block
	As at 01-Apr-17	Additions during the year	Deductions/ Adjustments during the year	As at 31-Mar-18	As at 01-Apr-17	Additions during the year	Deductions/ Adjustments during the year	As at 31-Mar-18	As at 31-Mar-18
<b>PROPERTY,PLANT AND EQUIPMENT</b>									
Plant & Equipments	67.23	3.16	-	70.39	20.65	6.16	-	26.81	43.57
Furniture & Fixtures	13.93	0.10	-	14.04	5.41	1.10	-	6.51	7.53
Vehicles	5.93	-	4.38	1.55	3.72	0.65	3.62	0.75	0.80
Office Equipments	15.90	2.56	-	18.46	7.93	2.56	-	10.49	7.97
Electrical Equipments	57.54	1.06	0.01	58.60	11.55	5.59	-	17.14	41.46
<b>TOTAL</b>	<b>160.54</b>	<b>6.89</b>	<b>4.40</b>	<b>163.03</b>	<b>49.26</b>	<b>16.06</b>	<b>3.62</b>	<b>61.70</b>	<b>101.33</b>
Previous Year	153.39	8.04	0.92	160.51	33.20	16.04	0.01	49.23	111.28
<b>OTHER INTANGIBLE ASSETS</b>									
Computer Software	13.62	0.46	-	14.08	8.28	1.95	-	10.23	3.85
<b>TOTAL</b>	<b>13.62</b>	<b>0.46</b>	<b>-</b>	<b>14.08</b>	<b>8.28</b>	<b>1.95</b>	<b>-</b>	<b>10.23</b>	<b>3.85</b>
Previous Year	12.18	1.44	-	13.62	6.24	2.05	-	8.28	5.34

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

Particulars	Gross Block (At Cost)				Depreciation and amortisation				Net Block
	As at 01-Apr-17	Additions during the year	Deductions/ Adjustments during the year	As at 31-Mar-18	As at 01-Apr-17	Additions during the year	Deductions/ Adjustments during the year	As at 31-Mar-18	As at 31-Mar-18
<b>PROPERTY,PLANT AND EQUIPMENT</b>									
Plant & Equipments	1,315.55	61.83	-	1,377.38	404.11	120.60	-	524.71	852.68
Furniture & Fixtures	272.68	2.01	-	274.69	105.84	21.48	-	127.32	147.38
Vehicles	116.06	-	85.80	30.26	72.79	12.75	70.92	14.62	15.63
Office Equipments	311.23	50.09	-	361.33	155.19	50.13	-	205.32	156.00
Electrical Equipments	1,126.06	20.84	0.24	1,146.66	226.08	109.31	-	335.40	811.26
<b>TOTAL</b>	<b>3,141.59</b>	<b>134.77</b>	<b>86.04</b>	<b>3,190.32</b>	<b>964.01</b>	<b>314.27</b>	<b>70.92</b>	<b>1,207.37</b>	<b>1,982.95</b>
Previous Year	3,138.99	164.53	18.65	3,284.87	679.41	328.42	0.20	1,007.63	2,277.25
<b>OTHER INTANGIBLE ASSETS</b>									
Computer Software	266.55	9.08	-	275.63	162.11	38.17	-	200.29	75.34
<b>TOTAL</b>	<b>266.55</b>	<b>9.08</b>	<b>-</b>	<b>275.63</b>	<b>162.11</b>	<b>38.17</b>	<b>-</b>	<b>200.29</b>	<b>75.34</b>
Previous Year	249.24	29.49	-	278.73	127.67	41.78	-	169.45	109.28