

## **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 2018, 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 Indian 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 Entity 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.

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## **Independent Auditor's Report (Continued)**

### **Torrent Pharmaceuticals Limited**

#### **Auditor's Responsibility (Continued)**

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 consider 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.

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**

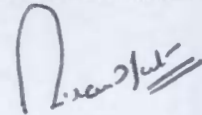
In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give a true and fair view in conformity with the Group Accounting Policies of Torrent Pharmaceuticals Limited, of the state of affairs of the TPI as at 31 March 2018 and its profits (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

Mumbai  
18 May 2018

**Torrent Pharma Inc.**  
**Balance Sheet**

	Notes	As at 31-Mar-2018 USD	As at 31-Mar-2018 INR	As at 31-Mar-2017 USD	Amt. in Lacs As at 31-Mar-2017 INR
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	1	3.45	224.40	4.32	280.10
Other intangible assets	1	107.43	6,987.69	123.48	8,006.27
Financial assets					
Investments	2	702.82	45,714.29	-	-
Other financial assets	3	0.01	0.65	0.01	0.65
		<u>702.83</u>	<u>45,714.94</u>	<u>0.01</u>	<u>0.65</u>
Non-current tax assets (net)		54.12	3,520.19	29.52	1,914.04
Deferred tax assets (net)		171.31	11,142.70	185.68	12,039.23
		<u>1,039.14</u>	<u>67,589.92</u>	<u>343.01</u>	<u>22,240.29</u>
<b>Current assets</b>					
Inventories	5	391.22	25,446.55	606.15	39,301.92
Financial assets					
Trade receivables	6	580.16	37,735.99	274.07	17,770.47
Cash and cash equivalents	7	53.88	3,504.58	48.81	3,164.77
Other financial assets	3	3.40	221.15	0.42	27.23
Other current assets	4	12.40	806.55	5.57	361.15
		<u>1,041.06</u>	<u>67,714.82</u>	<u>935.02</u>	<u>60,625.54</u>
<b>TOTAL</b>		<u><b>2,080.20</b></u>	<u><b>135,304.74</b></u>	<u><b>1,278.03</b></u>	<u><b>82,865.83</b></u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Equity share capital	8	12.00	780.53	12.00	778.06
Other equity	9	112.26	7,301.85	168.07	10,897.42
		<u>124.26</u>	<u>8,082.38</u>	<u>180.07</u>	<u>11,675.48</u>
<b>Non-current liabilities</b>					
Financial liabilities					
Borrowings	10	-	-	49.49	3,208.86
Other financial liabilities	11	6.88	447.50	1.61	104.39
		<u>6.88</u>	<u>447.50</u>	<u>51.10</u>	<u>3,313.25</u>
Provisions	12	51.10	3,323.75	55.67	3,609.56
		<u>57.98</u>	<u>3,771.25</u>	<u>106.77</u>	<u>6,922.81</u>
<b>Current liabilities</b>					
Financial liabilities					
Borrowings	10	900.00	58,539.69	-	-
Trade payables		773.83	50,333.08	787.09	51,033.76
Other financial liabilities	11	79.03	5,140.44	72.49	4,700.15
		<u>1,752.86</u>	<u>114,013.21</u>	<u>859.58</u>	<u>55,733.91</u>
Provisions	12	145.10	9,437.90	131.61	8,533.63
		<u>1,897.96</u>	<u>123,451.11</u>	<u>991.19</u>	<u>64,267.54</u>
<b>TOTAL</b>		<u><b>2,080.20</b></u>	<u><b>135,304.74</b></u>	<u><b>1,278.03</b></u>	<u><b>82,865.83</b></u>

All monetary and non-monetary items in the balance sheet have been translated at closing rate of 1 US \$ = Rs. 65.0441 (64.8386)

**Torrent Pharma Inc.**  
**Statement of Profit and Loss**

	Notes	Year Ended 31-Mar-2018 USD	Year Ended 31-Mar-2018 INR	Year Ended 31-Mar-2017 USD	Amt. in Lacs Year Ended 31-Mar-2017 INR
<b>REVENUE</b>					
Revenue from operations	13	1,653.47	107,548.47	1,963.15	127,287.90
<b>Total Revenue</b>		<b>1,653.47</b>	<b>107,548.47</b>	<b>1,963.15</b>	<b>127,287.90</b>
<b>EXPENSES</b>					
Cost of materials consumed	14	40.17	2,612.82	2.74	177.66
Purchases of stock-in-trade		1,097.85	71,408.67	1,963.97	127,341.07
Changes in inventories of finished goods, work-in-progress and stock-in-trade	15	207.70	13,509.66	(238.53)	(15,465.95)
Employee benefits expense	16	67.27	4,375.52	61.00	3,955.15
Finance costs	17	33.17	2,157.51	15.32	993.33
Depreciation and amortisation expense		17.64	1,147.38	16.87	1,093.83
Other expenses	18	126.08	8,200.76	125.23	8,119.74
<b>Total Expenses</b>		<b>1,589.88</b>	<b>103,412.32</b>	<b>1,946.60</b>	<b>126,214.83</b>
<b>PROFIT BEFORE TAX</b>		<b>63.59</b>	<b>4,136.15</b>	<b>16.55</b>	<b>1,073.07</b>
<b>TAX EXPENSE</b>					
Current tax		-	-	(5.81)	(376.71)
Deferred tax charge / (credit)		14.37	934.68	8.87	575.12
Short / (excess) provision for tax of earlier years		105.03	6,831.58	3.28	212.67
		<b>119.40</b>	<b>7,766.26</b>	<b>6.34</b>	<b>411.08</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>(55.81)</b>	<b>(3,630.11)</b>	<b>10.21</b>	<b>661.99</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(55.81)</b>	<b>(3,630.11)</b>	<b>10.21</b>	<b>661.99</b>

**Torrent Pharma Inc.**  
**Notes annexed to and forming part of the Financial Statements**

	As at 31-Mar-2018 USD	As at 31-Mar-2018 INR	As at 31-Mar-2017 USD	Amt. in Lacs As at 31-Mar-2017 INR
<b>NOTE - 2 : INVESTMENTS</b>				
<b>Non-current</b>				
At cost				
Investment in subsidiaries	702.82	45,714.29	-	-
	<u>702.82</u>	<u>45,714.29</u>	<u>-</u>	<u>-</u>
<b>NOTE - 3 : OTHER FINANCIAL ASSETS</b>				
<b>Non-current</b>				
Security deposits	0.01	0.65	0.01	0.65
<b>Current</b>				
Other receivables	3.40	221.15	0.42	27.23
	<u>3.41</u>	<u>221.80</u>	<u>0.43</u>	<u>27.88</u>
<b>NOTE - 4 : OTHER ASSETS</b>				
<b>Current</b>				
Prepaid expenses	12.40	806.55	5.57	361.15
	<u>12.40</u>	<u>806.55</u>	<u>5.57</u>	<u>361.15</u>
<b>NOTE - 5 : INVENTORIES</b>				
[At lower of cost and net realisable value]				
Raw materials	13.45	874.84	20.68	1,340.86
Finished goods	344.36	22,398.59	549.10	35,602.88
Stock-in-trade	33.41	2,173.12	36.37	2,358.18
	<u>391.22</u>	<u>25,446.55</u>	<u>606.15</u>	<u>39,301.92</u>
<b>NOTE - 6 : TRADE RECEIVABLES</b>				
Considered good	580.16	37,735.99	274.07	17,770.47
Considered doubtful	2.40	156.11	2.28	147.83
Less : Allowance for doubtful trade receivables	2.40	156.11	2.28	147.83
	<u>580.16</u>	<u>37,735.99</u>	<u>274.07</u>	<u>17,770.47</u>
<b>NOTE - 7 : CASH AND CASH EQUIVALENTS</b>				
Balances with banks	53.88	3,504.58	48.81	3,164.77
	<u>53.88</u>	<u>3,504.58</u>	<u>48.81</u>	<u>3,164.77</u>
<b>NOTE - 8 : SHARE CAPITAL</b>				
Subscribed and paid-up	12.00	780.53	12.00	778.06
	<u>12.00</u>	<u>780.53</u>	<u>12.00</u>	<u>778.06</u>
<b>NOTE - 9 : OTHER EQUITY</b>				
Retained earnings	112.26	7,301.85	168.07	10,897.42
	<u>112.26</u>	<u>7,301.85</u>	<u>168.07</u>	<u>10,897.42</u>

**Torrent Pharma Inc.**

	As at 31-Mar-2018 USD	As at 31-Mar-2018 INR	As at 31-Mar-2017 USD	Amt. in Lacs As at 31-Mar-2017 INR
<b>NOTE - 10 : BORROWINGS</b>				
<b>Non-current</b>				
Secured borrowings	-	-	49.49	3,208.86
<b>Current maturities of long term debt</b>				
Secured borrowings	49.76	3,236.59	50.00	3,241.93
<b>Current</b>				
Secured borrowings	900.00	58,539.69	-	-
	<u>949.76</u>	<u>61,776.28</u>	<u>99.49</u>	<u>6,450.79</u>
<b>NOTE - 11 : OTHER FINANCIAL LIABILITIES</b>				
<b>Non-current</b>				
Creditors for capital goods	1.18	76.75	1.61	104.39
Purchase consideration payable	5.70	370.75	-	-
	<u>6.88</u>	<u>447.50</u>	<u>1.61</u>	<u>104.39</u>
<b>Current</b>				
Current maturities of long-term debt	49.76	3,236.59	50.00	3,241.93
Interest accrued but not due on borrowings	4.40	286.19	-	-
Creditors for capital goods	0.06	3.90	0.12	7.78
Payables for employee benefits	22.52	1,464.79	18.58	1,204.70
Other payables	2.29	148.95	3.79	245.74
	<u>79.03</u>	<u>5,140.42</u>	<u>72.49</u>	<u>4,700.15</u>
	<u>85.91</u>	<u>5,587.92</u>	<u>74.10</u>	<u>4,804.54</u>
<b>NOTE - 12 : PROVISIONS</b>				
<b>Non-current</b>				
Provision for sales returns	51.10	3,323.75	55.67	3,609.56
	<u>51.10</u>	<u>3,323.75</u>	<u>55.67</u>	<u>3,609.56</u>
<b>Current</b>				
Provision for sales returns	89.92	5,848.77	81.19	5,264.25
Provision for medicaid	38.65	2,513.95	27.03	1,752.30
Provision for failure to supply	16.53	1,075.18	23.40	1,517.08
	<u>145.10</u>	<u>9,437.90</u>	<u>131.61</u>	<u>8,533.63</u>
	<u>196.20</u>	<u>12,761.65</u>	<u>187.28</u>	<u>12,143.19</u>
	Year Ended 31-Mar-2018 USD	Year Ended 31-Mar-2018 INR	Year Ended 31-Mar-2017 USD	Amt. in Lacs Year Ended 31-Mar-2017 INR
<b>NOTE - 13 : REVENUE FROM OPERATIONS</b>				
<b>Sales</b>				
Sales outside India	1,609.28	104,674.17	1,928.18	125,020.49
<b>Operating Income</b>				
Other operating income	44.19	2,874.30	34.97	2,267.41
	<u>1,653.47</u>	<u>107,548.47</u>	<u>1,963.15</u>	<u>127,287.90</u>

**Torrent Pharma Inc.**

	Year Ended 31-Mar-2018	Year Ended 31-Mar-2018	Year Ended 31-Mar-2017	Amt. in Lacs Year Ended 31-Mar-2017
	USD	INR	USD	INR
<b>NOTE - 14 : COST OF MATERIALS CONSUMED</b>				
Raw materials	40.17	2,612.82	2.74	177.66
	<u>40.17</u>	<u>2,612.82</u>	<u>2.74</u>	<u>177.66</u>
<b>NOTE - 15 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE</b>				
Opening inventories				
Finished goods	549.10	35,715.72	330.21	21,410.35
Stock-in-trade	36.37	2,365.65	16.73	1,084.75
	<u>585.47</u>	<u>38,081.37</u>	<u>346.94</u>	<u>22,495.10</u>
Less : Closing inventories				
Finished goods	344.36	22,398.59	549.10	35,602.88
Stock-in-trade	33.41	2,173.12	36.37	2,358.18
	<u>377.77</u>	<u>24,571.71</u>	<u>585.47</u>	<u>37,961.06</u>
Net (increase) / decrease in inventories	<u>207.70</u>	<u>13,509.66</u>	<u>(238.53)</u>	<u>(15,465.96)</u>
<b>NOTE - 16 : EMPLOYEE BENEFITS EXPENSE</b>				
Salaries, wages and bonus	59.33	3,859.07	54.57	3,538.24
Contribution to provident and other funds	3.29	214.00	2.87	186.09
Staff welfare expenses	4.65	302.46	3.56	230.83
	<u>67.27</u>	<u>4,375.53</u>	<u>61.00</u>	<u>3,955.16</u>
<b>NOTE - 17 : FINANCE COSTS</b>				
Interest expense	21.93	1,426.42	4.08	264.54
Other borrowing cost	11.24	731.10	11.24	728.79
	<u>33.17</u>	<u>2,157.52</u>	<u>15.32</u>	<u>993.33</u>
<b>NOTE - 18 : OTHER EXPENSES</b>				
Power and fuel	0.07	4.55	0.07	4.54
Cost of outsourced manpower	4.91	319.37	4.70	304.74
Laboratory goods and testing expense	38.17	2,482.73	30.67	1,988.60
Repairs and maintenance	0.16	10.41	0.54	35.01
Selling, publicity and medical literature expense	41.22	2,681.12	40.36	2,616.89
Allowance for doubtful debts	0.12	7.81	2.16	140.05
Travelling, conveyance and vehicle expenses	4.15	269.93	4.26	276.21
Compensation expense	(8.19)	(532.71)	9.71	629.58
Registration expenses	0.35	22.77	0.21	13.62
Rent	2.63	171.07	2.62	169.88
Rates and taxes	3.91	254.32	(2.45)	(158.85)
Professional and legal fees	22.99	1,495.36	16.40	1,063.35
Communication expenses	1.24	80.65	1.08	70.03
Printing and stationery expenses	0.13	8.46	0.08	5.19
Insurance	5.93	385.71	8.07	523.25
Auditors remuneration and expenses	0.57	37.08	0.53	34.36
General charges	7.72	502.14	6.22	403.30
	<u>126.08</u>	<u>8,200.77</u>	<u>125.23</u>	<u>8,119.75</u>

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	0.60	0.14	-	0.74	0.24	0.14	-	0.38	0.36
Furniture & Fixtures	5.70	-	-	5.70	2.42	0.91	-	3.33	2.37
Office Equipments	2.65	0.37	-	3.01	1.97	0.33	-	2.30	0.71
<b>TOTAL</b>	<b>8.95</b>	<b>0.51</b>	<b>-</b>	<b>9.45</b>	<b>4.63</b>	<b>1.38</b>	<b>-</b>	<b>6.01</b>	<b>3.45</b>
Previous Year	6.64	2.31	-	8.95	3.21	1.41	-	4.62	4.32
<b>OTHER INTANGIBLE ASSETS</b>									
Computer Software	6.32	0.22	-	6.55	2.85	1.26	-	4.11	2.43
Product Licenses	150.00	-	-	150.00	30.00	15.00	-	45.00	105.00
<b>TOTAL</b>	<b>156.32</b>	<b>0.22</b>	<b>-</b>	<b>156.55</b>	<b>32.85</b>	<b>16.26</b>	<b>-</b>	<b>49.11</b>	<b>107.43</b>
Previous Year	152.64	3.68	-	156.32	17.39	15.46	-	32.85	123.48

## 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	38.88	9.11	-	47.98	15.78	8.85	-	24.63	23.35
Furniture & Fixtures	370.99	-	-	370.99	157.24	59.39	-	216.63	154.36
Office Equipments	172.19	23.78	-	195.97	127.98	21.30	-	149.28	46.69
<b>TOTAL</b>	<b>582.05</b>	<b>32.89</b>	<b>-</b>	<b>614.94</b>	<b>301.00</b>	<b>89.54</b>	<b>-</b>	<b>390.54</b>	<b>224.40</b>
Previous Year	430.03	149.78	-	579.81	208.29	91.42	-	299.71	280.10
<b>OTHER INTANGIBLE ASSETS</b>									
Computer Software	411.37	14.38	-	425.75	185.39	82.18	-	267.57	158.18
Product Licenses	9,756.62	-	-	9,756.62	1,951.44	975.66	-	2,927.10	6,829.51
<b>TOTAL</b>	<b>10,167.98</b>	<b>14.38</b>	<b>-</b>	<b>10,182.37</b>	<b>2,136.83</b>	<b>1,057.84</b>	<b>-</b>	<b>3,194.68</b>	<b>6,987.69</b>
Previous Year	9,897.61	238.61	-	10,136.22	1,127.54	1,002.41	-	2,129.95	8,006.27