

## INDEPENDENT AUDITOR'S REPORT

To the Associates of  
Torrent Pharma S.R.L.  
Bucharest, Romania

### Opinion

1. We have audited the reporting package (referred to below as "special purpose financial information") of Torrent Pharma S.R.L. (the 'Company'), which comprise the balance sheet as at March 31, 2018, and the income statement for the year then ended and statement of cash flows for the year then ended, and related disclosures, including a summary of significant accounting policies, prepared in accordance with Torrent Pharmaceuticals Group Accounting Policies.
2. In our opinion, the accompanying special purpose financial information of the Company for the year ended March 31, 2018 are prepared, in all material respects, in accordance with Torrent Pharmaceuticals Group Accounting Policies.

### Basis for Opinion

3. We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Information section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the special purpose financial information in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

4. As discussed in Note A.1. General Information, part of the special purpose financial information, which indicates that the Company incurred net accumulated losses of RON 54,050,556 as of March 31, 2018 and the Company's current liabilities exceeded its total assets by RON 49,960,843. These events or conditions, along with our understanding of the associates' intentions to terminate the Company's operations in the foreseeable future, indicate that the Company will not continue as a going concern. As a result of these matters, the Company has not applied the going concern principle in preparing the reporting package and the necessary adjustments have been performed in the reporting package. Our opinion is not modified in respect of this matter.

## **Other Matter – Basis of Accounting and Restriction on Distribution and Use**

5. The special purpose financial information has been prepared for purposes of providing information to Torrent Pharmaceuticals Group to enable it to prepare the consolidated financial statements of the group. As a result, the special purpose financial information is not a complete set of financial statements of Torrent Pharma S.R.L. in accordance with Generally Accepted Accounting Principles (GAAP) in India and is not intended to give a true and fair view of the financial position of Torrent Pharma S.R.L as of March 31, 2018 and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles (GAAP) in India. The financial information may, therefore, not be suitable for any other purpose. This report is intended solely for the information and use of Torrent Pharmaceuticals Limited (Parent Company) for purposes of audit of the consolidated financial statements of Torrent Pharmaceuticals Group as of and for the year ended March 31, 2018. It should not be distributed to anyone other than these specified parties. Our opinion is not modified in respect of this matter.

## **Responsibilities of Management and Those Charged with Governance for the Special Purpose Financial Information**

6. Management is responsible for the preparation of the special purpose financial information in accordance with Torrent Pharmaceuticals Group Accounting Policies and for such internal control as management determines is necessary to enable the preparation of the special purpose financial information that are free from material misstatement, whether due to fraud or error.
7. In preparing the special purpose financial information, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
8. Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Special Purpose Financial Information**

9. Our objectives are to obtain reasonable assurance about whether the special purpose financial information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial information.
10. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the special purpose financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
11. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte Audit SRL*

Deloitte Audit S.R.L.  
Bucharest, Romania  
April 27, 2018

**Torrent Pharma S.R.L.**  
**Balance Sheet**

		As at		As at	Amt. in Lacs
	Notes	31-Mar-2018	31-Mar-2018	31-Mar-2017	As at
		RON	INR	RON	31-Mar-2017
					INR
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	1	0.14	2.42	0.49	7.46
Other intangible assets	1	0.19	3.29	0.45	6.85
Financial assets					
Other financial assets	2	0.22	3.81	0.80	12.17
Non-current tax assets (net)		-	-	0.04	0.61
		<u>0.55</u>	<u>9.52</u>	<u>1.78</u>	<u>27.09</u>
<b>Current assets</b>					
Financial assets					
Trade receivables	4	57.68	998.43	195.91	2,980.89
Cash and cash equivalents	5	5.90	102.13	20.03	304.77
Other financial assets	2	0.01	0.17	3.68	55.99
Other current assets	3	1.47	25.45	6.20	94.34
		<u>65.06</u>	<u>1,126.18</u>	<u>225.82</u>	<u>3,435.99</u>
<b>TOTAL</b>		<u><u>65.61</u></u>	<u><u>1,135.70</u></u>	<u><u>227.60</u></u>	<u><u>3,463.08</u></u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Equity share capital	6	41.46	717.66	41.46	630.84
Other equity	7	(540.51)	(9,356.12)	(622.31)	(9,468.82)
		<u>(499.05)</u>	<u>(8,638.46)</u>	<u>(580.85)</u>	<u>(8,837.98)</u>
<b>Current liabilities</b>					
Financial Liabilities					
Trade payables		564.10	9,764.47	805.99	12,263.63
Other financial liabilities	8	0.39	6.75	1.45	22.06
		<u>564.49</u>	<u>9,771.22</u>	<u>807.44</u>	<u>12,285.69</u>
Other current liabilities	9	0.17	2.94	1.01	15.37
		<u>564.66</u>	<u>9,774.16</u>	<u>808.45</u>	<u>12,301.06</u>
<b>TOTAL</b>		<u><u>65.61</u></u>	<u><u>1,135.70</u></u>	<u><u>227.60</u></u>	<u><u>3,463.08</u></u>

All monetary and non-monetary items in the balance sheet have been translated at closing rate of 1 RON = Rs. 17.3098 (15.2156)

**Torrent Pharma S.R.L.**  
**Statement of Profit and Loss**

	Notes	Year Ended 31-Mar-2018 RON	Year Ended 31-Mar-2018 INR	Year Ended 31-Mar-2017 RON	Amt. in Lacs Year Ended 31-Mar-2017 INR
<b>REVENUE</b>					
Revenue from operations	10	166.29	2,878.45	338.66	5,152.92
Other income	11	(0.07)	(1.21)	(0.13)	(1.98)
<b>Total Revenue</b>		<b>166.22</b>	<b>2,877.24</b>	<b>338.53</b>	<b>5,150.94</b>
<b>EXPENSES</b>					
Purchases of stock-in-trade		2.52	43.62	346.03	5,265.05
Changes in inventories of finished goods, work-in-progress and stock-in-trade	12	-	-	171.24	2,605.52
Employee benefits expense	13	14.60	252.72	46.23	703.42
Finance costs	14	(6.29)	(108.88)	2.75	41.84
Depreciation and amortisation expense		0.47	8.14	0.82	12.48
Other expenses	15	73.12	1,265.69	163.31	2,484.86
<b>Total Expenses</b>		<b>84.42</b>	<b>1,461.29</b>	<b>730.38</b>	<b>11,113.17</b>
<b>PROFIT BEFORE TAX</b>		<b>81.80</b>	<b>1,415.95</b>	<b>(391.85)</b>	<b>(5,962.23)</b>
<b>TAX EXPENSE</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>81.80</b>	<b>1,415.95</b>	<b>(391.85)</b>	<b>(5,962.23)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>81.80</b>	<b>1,415.95</b>	<b>(391.85)</b>	<b>(5,962.23)</b>

**Torrent Pharma S.R.L.**  
**Notes annexed to and forming part of the Financial Statements**

	As at 31-Mar-2018 RON	As at 31-Mar-2018 INR	As at 31-Mar-2017 RON	Amt. in Lacs As at 31-Mar-2017 INR
<b>NOTE - 2 : OTHER FINANCIAL ASSETS</b>				
<b>Non-current</b>				
Security deposits	0.22	3.81	0.80	12.17
<b>Current</b>				
Other receivables	0.01	0.17	3.68	55.99
	<u>0.23</u>	<u>3.98</u>	<u>4.48</u>	<u>68.16</u>
<b>NOTE - 3 : OTHER ASSETS</b>				
<b>Current</b>				
Claims receivable : Indirect tax				
Considered good	1.37	23.71	3.70	56.30
Prepaid expenses	0.10	1.73	2.50	38.04
	<u>1.47</u>	<u>25.44</u>	<u>6.20</u>	<u>94.34</u>
<b>NOTE - 4 : TRADE RECEIVABLES</b>				
Considered doubtful	86.66	1,500.07	226.71	3,449.53
Less : Allowance for doubtful trade receivables	28.98	501.64	30.80	468.64
	<u>57.68</u>	<u>998.43</u>	<u>195.91</u>	<u>2,980.89</u>
<b>NOTE - 5 : CASH AND CASH EQUIVALENTS</b>				
Balances with banks	5.90	102.13	20.03	304.77
	<u>5.90</u>	<u>102.13</u>	<u>20.03</u>	<u>304.77</u>
<b>NOTE - 6 : SHARE CAPITAL</b>				
Subscribed and paid-up	41.46	717.66	41.46	630.84
	<u>41.46</u>	<u>717.66</u>	<u>41.46</u>	<u>630.84</u>
<b>NOTE - 7 : OTHER EQUITY</b>				
Retained earnings	(540.51)	(9,356.12)	(622.31)	(9,468.82)
	<u>(540.51)</u>	<u>(9,356.12)</u>	<u>(622.31)</u>	<u>(9,468.82)</u>
<b>NOTE - 8 : OTHER FINANCIAL LIABILITIES</b>				
<b>Current</b>				
Payables for employee benefits	0.39	6.75	1.02	15.52
Derivative financial instruments	-	-	0.43	6.54
	<u>0.39</u>	<u>6.75</u>	<u>1.45</u>	<u>22.06</u>
<b>NOTE - 9 : OTHER LIABILITIES</b>				
<b>Current</b>				
Payables to statutory and other authorities	0.17	2.94	1.01	15.37
	<u>0.17</u>	<u>2.94</u>	<u>1.01</u>	<u>15.37</u>

**Torrent Pharma S.R.L.**

	Year Ended 31-Mar-2018	Year Ended 31-Mar-2018	Year Ended 31-Mar-2017	Amt. in Lacs Year Ended 31-Mar-2017
	RON	INR	RON	INR
<b>NOTE - 10 : REVENUE FROM OPERATIONS</b>				
<b>Sales</b>				
Sales outside India	82.92	1,435.33	115.73	1,760.90
<b>Operating Income</b>				
Other operating income	83.37	1,443.12	222.93	3,392.01
	<u>166.29</u>	<u>2,878.45</u>	<u>338.66</u>	<u>5,152.91</u>
<b>NOTE - 11 : OTHER INCOME</b>				
Other non-operating income	(0.07)	(1.21)	(0.13)	(1.98)
	<u>(0.07)</u>	<u>(1.21)</u>	<u>(0.13)</u>	<u>(1.98)</u>
<b>NOTE - 12 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE</b>				
Opening inventories				
Finished goods	-	-	78.15	1,189.10
Stock-in-trade	-	-	93.09	1,416.42
	-	-	<u>171.24</u>	<u>2,605.52</u>
Closing inventories				
Finished goods	-	-	-	-
Stock-in-trade	-	-	-	-
Net (increase) / decrease in inventories	<u>-</u>	<u>-</u>	<u>171.24</u>	<u>2,605.52</u>
<b>NOTE - 13 : EMPLOYEE BENEFITS EXPENSE</b>				
Salaries, wages and bonus	13.19	228.32	33.61	511.40
Contribution to provident and other funds	1.41	24.41	12.62	192.02
	<u>14.60</u>	<u>252.73</u>	<u>46.23</u>	<u>703.42</u>
<b>NOTE - 14 : FINANCE COSTS</b>				
Other borrowing cost	(6.29)	(108.88)	2.75	41.84
	<u>(6.29)</u>	<u>(108.88)</u>	<u>2.75</u>	<u>41.84</u>
<b>NOTE - 15 : OTHER EXPENSES</b>				
Repairs and maintenance	0.17	2.94	1.79	27.24
Selling, publicity and medical literature expense	2.66	46.04	33.89	515.66
Sales and turnover taxes	33.44	578.84	51.34	781.17
Allowance for doubtful debts	(1.82)	(31.50)	(1.77)	(26.93)
Travelling, conveyance and vehicle expenses	0.23	3.98	2.51	38.19
Registration expenses	2.42	41.89	3.15	47.93
Rent	12.97	224.51	28.06	426.95
Professional and legal fees	8.43	145.92	20.48	311.62
Communication expenses	0.41	7.10	2.79	42.45
Printing and stationery expenses	0.04	0.69	0.18	2.74
Insurance	(0.07)	(1.21)	0.54	8.22
Net foreign exchange Loss	13.50	233.68	18.15	276.16
Auditors remuneration and expenses	0.35	6.06	0.76	11.56
General charges	0.39	6.75	1.44	21.91
	<u>73.12</u>	<u>1,265.69</u>	<u>163.31</u>	<u>2,484.87</u>

Torrent Pharma S.R.L

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>										
Furniture & Fixtures	0.54	-	0.18	0.36	0.31	0.06	0.05	0.32	0.05	
Office Equipments	2.31	-	0.49	1.81	2.05	0.16	0.49	1.72	0.09	
<b>TOTAL</b>	<b>2.85</b>	<b>-</b>	<b>0.67</b>	<b>2.18</b>	<b>2.36</b>	<b>0.22</b>	<b>0.54</b>	<b>2.04</b>	<b>0.14</b>	
Previous Year	4.62	-	1.77	2.85	3.35	0.51	1.50	2.36	0.49	
<b>OTHER INTANGIBLE ASSETS</b>										
Computer Software	1.10	-	-	1.10	0.65	0.25	-	0.90	0.19	
<b>TOTAL</b>	<b>1.10</b>	<b>-</b>	<b>-</b>	<b>1.10</b>	<b>0.65</b>	<b>0.25</b>	<b>-</b>	<b>0.90</b>	<b>0.19</b>	
Previous Year	1.00	0.10	-	1.10	0.33	0.31	-	0.65	0.45	

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>										
Furniture & Fixtures	9.37	-	3.09	6.28	5.30	1.10	0.94	5.46	0.82	
Office Equipments	39.88	-	8.50	31.38	35.55	2.67	8.43	29.78	1.60	
<b>TOTAL</b>	<b>49.25</b>	<b>-</b>	<b>11.58</b>	<b>37.66</b>	<b>40.85</b>	<b>3.77</b>	<b>9.38</b>	<b>35.24</b>	<b>2.42</b>	
Previous Year	70.30	-	26.93	43.36	51.03	7.67	22.80	35.90	7.46	
<b>OTHER INTANGIBLE ASSETS</b>										
Computer Software	18.93	-	-	18.93	11.27	4.37	-	15.64	3.29	
<b>TOTAL</b>	<b>18.93</b>	<b>-</b>	<b>-</b>	<b>18.93</b>	<b>11.27</b>	<b>4.37</b>	<b>-</b>	<b>15.64</b>	<b>3.29</b>	
Previous Year	15.22	1.52	-	16.74	5.08	4.81	-	9.89	6.85	