

Nesher Pharmaceuticals (USA) LLC
Balance Sheet as at December 31, 2016

Particulars	Note No.	USD- Thousands		INR- Thousands	
		As at December 31			
		2016	2015	2016	2015
ASSETS:					
Non-Current Assets:					
Property, Plant and Equipment	1	40,782	42,146	27,71,136	27,99,338
Capital work-in-progress		6,905	1,679	4,69,195	1,11,519
Other Intangible Assets	1	764	946	51,913	62,833
		48,451	44,771	32,92,244	29,73,690
Current Assets:					
Inventories	2	9,331	8,274	6,34,041	5,49,560
Financial Assets:					
Trade Receivables	3	1,234	2,031	83,851	1,34,899
Cash and Cash Equivalents	4	373	136	25,346	9,033
Other Current Assets	5	874	872	59,388	57,919
		11,812	11,313	8,02,626	7,51,411
Total		60,263	56,084	40,94,870	37,25,101
EQUITY AND LIABILITIES:					
Equity:					
Equity Share Capital	6	10	10	680	664
Other Equity	7	(73,583)	(52,113)	(49,99,964)	(34,61,343)
		(73,573)	(52,103)	(49,99,284)	(34,60,679)
Non-Current Liabilities:					
Financial Liabilities:					
Borrowings	8	1,28,000	1,03,000	86,97,600	68,41,260
Other Financial Liabilities	9	36	36	2,446	2,391
Provisions	10	92	77	6,251	5,114
		1,28,128	1,03,113	87,06,297	68,48,765
Current Liabilities:					
Financial Liabilities:					
Trade Payables	11	3,751	3,616	2,54,880	2,40,175
Other Financial Liabilities	12	1,313	558	89,218	37,062
Provisions	13	644	900	43,759	59,778
		5,708	5,074	3,87,857	3,37,015
Total		60,263	56,084	40,94,870	37,25,101
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 26				

As per our report of even date
For Mukesh M. Shah & Co.
Chartered Accountants
Firm Registration Number: 106625W

For Zydus Pharmaceuticals (USA) Inc.

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 25, 2017

Director & Representative

Nesher Pharmaceuticals (USA) LLC
Statement of Profit and Loss for the year ended December 31, 2016

Particulars	Note No.	USD- Thousands		INR- Thousands	
		Year ended December 31			
		2016	2015	2016	2015
REVENUE:					
Revenue from Operations	14	36,182	35,221	24,31,430	22,59,075
Other Income	15	213	216	14,314	13,854
Total Revenue		36,395	35,437	24,45,744	22,72,929
EXPENSES:					
Cost of Materials Consumed	16	14,826	13,966	9,88,934	8,81,184
Changes in Inventories of Finished goods, Work-in-progress and Stock-in-Trade	17	324	(1,834)	15,695	(1,29,536)
Employee Benefits Expense	18	19,387	17,541	13,02,807	11,25,079
Finance Costs	19	2,156	1,872	1,44,883	1,20,070
Depreciation, Amortisation and Impairment expenses	1	4,023	4,040	2,70,344	2,59,125
Other Expenses	20	17,149	16,762	11,52,413	10,75,116
Total Expenses		57,865	52,347	38,75,076	33,31,038
Loss for the year		(21,470)	(16,910)	(14,29,332)	(10,58,109)
OTHER COMPREHENSIVE INCOME:					
Other Comprehensive Income for the year, net of tax		-	-	-	-
Total Comprehensive Income for the year		(21,470)	(16,910)	(14,29,332)	(10,58,109)
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 26				

As per our report of even date
For Mukesh M. Shah & Co.
Chartered Accountants
Firm Registration Number: 106625W

For Zydus Pharmaceuticals (USA) Inc.

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 25, 2017

Director & Representative

Nesher Pharmaceuticals (USA) LLC			
Statement of Change in Equity for the year ended December 31, 2016			
a Equity Share Capital:	USD- Thousands	INR- Thousands	
Capital Contribution of a sole member	10	680	
Capital Contribution of USD 10,000/- is from Sole member Zydus Pharmaceuticals (USA) Inc., a company incorporated in the United States of America, which is a subsidiary company of Zydus International Private Limited [Refer Note 25], a company incorporated in the Republic of Ireland which is the subsidiary company of Cadila Healthcare Limited, the ultimate holding company incorporated in India.			
	USD- Thousands		
b Other Equity:	Retained Earnings	Total	
As at December 31, 2014	(35,203)	(35,203)	
Add: Loss for the year	(16,910)	(16,910)	
As at December 31, 2015	(52,113)	(52,113)	
Add: Loss for the year	(21,470)	(21,470)	
As at December 31, 2016	(73,583)	(73,583)	
		-	
	INR- Thousands		
b Other Equity:	Foreign Currency Translation Reserve	Retained Earnings	Total
As at December 31, 2014	(1,22,779)	(22,19,900)	(23,42,679)
Add: Loss for the year	-	(10,58,109)	(10,58,109)
Add: Addition during the year #	(60,555)	-	(60,555)
As at December 31, 2015	(1,83,334)	(32,78,009)	(34,61,343)
Add: Profit for the year	-	(14,29,332)	(14,29,332)
Add: Addition during the year #	(1,09,289)	-	(1,09,289)
As at December 31, 2016	(2,92,623)	(47,07,341)	(49,99,964)
# Includes adjustments on account of exchange rate translation differences.			
<u>As per our report of even date</u> For Mukesh M. Shah & Co. Chartered Accountants Firm Registration Number: 106625W	For Zydus Pharmaceuticals (USA) Inc.		
Chandresh S. Shah Partner Membership Number: 042132 Ahmedabad, Dated: May 25, 2017	Director & Representative		

Nesher Pharmaceuticals (USA) LLC

I-Company overview:

Nesher Pharmaceuticals (USA) LLC (the Company) was incorporated originally by name of Zynesher Pharmaceuticals (USA) LLC on May 17, 2011 to acquire the assets and liabilities of Nesher Pharmaceuticals (USA) Inc. Subsequent to acquisition of assets and liabilities, name of the company was changed to Nesher Pharmaceuticals (USA) LLC. The company is in the business of manufacture, research and development of generic pharmaceutical products in the United States of America. The corporate office is located at Bridgton, Missouri.

II-Significant Accounting Policies:

1 Basis of Accounting:

The financial statements are prepared on the "accrual basis" of accounting in conformity with accounting principles generally accepted in the United States of America. Revenue is recognized when services are rendered and expenses reflected when costs are incurred.

2 Reporting Currency Translations:

The Local accounts are maintained in local and functional currency which is "United States Dollar[USD]". These accounts have been translated in Indian Rupees considering the operation of the Company as "Non-integral operations" for holding company. The translation of Financial Statements to Indian Rupee [INR] from "USD" is performed for assets and liabilities using the exchange rates prevailing on the Balance sheet dates and for revenues and expenses using the average exchange rates for the respective periods. The gain or loss resulting from such translation is included in "Foreign Currency Translation Reserve" under Other Equity.

3 Use of Estimates:

The preparation of financial statements are in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. These estimates are often based on judgments, probabilities and assumptions that management believes are reasonable but that are inherently uncertain and unpredictable. As a result, actual result could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustment, if any, to the estimates used are made prospectively based on such periodic evaluations.

4 Property and Equipment:

- a Property and equipment are stated at cost less accumulated depreciation.
- b Depreciation on property and equipment is provided using the straight-line method over the estimated useful lives of the related assets.
- c The estimated useful lives of the related assets range from 3 to 39.5 years.

5 Intangible Assets:

The Company periodically reviews carrying value of intangible assets not subject to amortization, to determine whether impairment may exist. Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 142, intangible assets be assessed annually for impairment using fair value measurement techniques.

6 Inventories:

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out (FIFO) basis. The company establishes reserves for its inventory to reflect situations in which the cost of the inventory is not expected to be recovered. In evaluating whether inventory is stated at the lower of cost or market value, management considers such factors as the amount of inventory on hand; estimated time required to sell such inventory, remaining shelf life and current and expected market conditions, including level of competition. The company records provisions for the inventory reserves as part of cost of sales.

7 Revenue Recognition:

Revenues from sales of products are recognized at the time of delivery and when title and risk of loss passes to the customer. Recognition of revenue also requires reasonable assurance of collection of sales proceeds and completion of all performance obligations. Sales discounts are issued to customers as direct discounts at the point-of-sale indirectly or through intermediary wholesaler, known as chargebacks, or indirectly in the form of rebates. Revenues are recorded net of provisions for sales discount and returns, which are established at the time of sale, when estimated provisions for product returns, rebates and other sales allowances are reasonably determinable, and when collectibles are reasonably assured. Accruals for these provisions are presented as a direct reduction to accounts receivable and revenues.

8 Research and Development Cost:

Research and development costs are expensed as incurred. These expenses include the costs of the company's own research and development efforts, as well as costs incurred in connection with the company's third party collaborations efforts.

9 Income Tax:

- a The company records income tax using the asset-and-liability method.
- b Deferred tax assets and liabilities are recognized for the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided for the portion of deferred tax assets when, based on available evidence, it is not "more-likely-than-not" that a portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rate and laws. The company's effective tax rate was 35% and 34.08% for years ended December 31, 2016 and 2015. The future effective income tax rate depends on various factors, such as the company's income/ (loss) before taxes, tax legislation and the geographic composition of the pre-tax income.

10 Employee Benefit Plan:

The company participates in a savings plan under section 401(k) of the Internal Revenue Code covering all eligible employees. The plan provides that the company can make matching contributions, which is equivalent to the employee's contributions subject to a maximum of 5% of the gross pay of the employee. All qualifying matching contributions are 100% vested at the completion of five years of service by an employee and are subject to certain withdrawal restrictions.

11 Legal Settlements and Proceedings:

The company is involved in, or has been involved in, legal proceedings that arise from the normal course of business. The company cannot predict the timing or outcome of these claims and other proceedings. Currently, the company is not involved in any arbitration and/ or other legal proceedings that it expects to have a material effect on the business, financial consolidation, results of operations or liquidity of the company. All legal cost is expensed as incurred.

12 Product Liability:

Accruals for product liability claims are recorded, on an undiscounted basis, when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The accruals are adjusted periodically as additional information becomes available. For the year ended December 31, 2016, there were no product liability claims made by the company.

13 Cash and cash equivalents:

The company considers all highly-liquid investments (including money market funds) with an original maturity at acquisition of three months or less to be cash equivalents. The company maintains cash balances, which may exceed federally insured limits. The company does not believe that this results in any significant credit risk.

Nesher Pharmaceuticals (USA) LLC

II-Significant Accounting Policies-Continued:

14 Accounts Receivable:

The company extends credit to clients based upon management's assessment of their credit worthiness on an unsecured basis. The company provides an allowance for uncollectible accounts based on historical experience and management evaluation of trend analysis. The allowances for uncollectible accounts as of December 31, 2016 and 2015 were USD Nil and USD Nil respectively.

15 Sales Returns and Allowances:

At the time of sale, the company simultaneously records estimates for various costs, which reduce product sales. These costs include estimates for price adjustment, products returns, rebates, including Medicaid rebates, prompt payment discounts and other sales allowances. In addition, the company records allowances for shelf-stock adjustments when the conditions so warrant. Estimates for sales allowances such as product returns and rebates are based on variety of factors including actual returns experience of that product or similar products, rebate arrangements for each product, and estimated sales by our wholesale customers to other third parties who have contracts with the company. Actual experience associated with any of these items may be different than the company's estimates. The company regularly reviews the factors that influence its estimates and, if necessary, makes adjustments when it believes that actual product returns, credits and other allowances may differ from established reserves.

Notes to the Financial Statements

Note: 1: Property, Plant and Equipment & Intangible Assets :

	Property, Plant and Equipment						Intangible Assets		
	Freehold	Buildings	Plant and	Furniture and	Vehicles	Total	Brands/	Computer	Total
	Land		Equipment	Fixtures			Trademarks	Software	
	USD- Thousands						USD- Thousands		
Gross Block:									
As at December 31, 2014	3,547	21,205	29,082	943	14	54,791	1,000	619	1,619
Additions		1,965	384			2,349		55	55
Disposals						-			-
Other adjustments						-			-
As at December 31, 2015	3,547	23,170	29,466	943	14	57,140	1,000	674	1,674
Additions		578	1,577	322		2,477			-
Disposals			(1,686)			(1,686)		(301)	(301)
Other adjustments						-			-
As at December 31, 2016	3,547	23,748	29,357	1,265	14	57,931	1,000	373	1,373
Depreciation and Impairment:									
As at December 31, 2014	54	1,137	9,557	396	8	11,152	228	302	530
Charge for the year	16	554	3,151	118	3	3,842	67	131	198
Impairment for the year						-			-
Disposals						-			-
Other adjustments						-			-
As at December 31, 2015	70	1,691	12,708	514	11	14,994	295	433	728
Charge for the year	16	590	3,111	122	2	3,841	67	115	182
Impairment for the year						-			-
Disposals			(1,686)			(1,686)		(301)	(301)
Other adjustments						-			-
As at December 31, 2016	86	2,281	14,133	636	13	17,149	362	247	609
Net Block:									
As at December 31, 2015	3,477	21,479	16,758	429	3	42,146	705	241	946
As at December 31, 2016	3,461	21,467	15,224	629	1	40,782	638	126	764
	Freehold	Buildings	Plant and	Furniture and	Vehicles	Total	Brands/	Computer	Total
	Land		Equipment	Fixtures			Trademarks	Software	
	INR- Thousands						INR- Thousands		
Gross Block:									
As at December 31, 2014	2,23,674	13,37,187	18,33,911	59,466	883	34,55,121	63,060	39,034	1,02,094
Additions	-	1,26,035	24,630	-	-	1,50,665	-	3,528	3,528
Disposals	-	-	-	-	-	-	-	-	-
Other adjustments	11,918	75,729	98,591	3,168	47	1,89,453	3,360	2,205	5,565
As at December 31, 2015	2,35,592	15,38,951	19,57,132	62,634	930	37,95,239	66,420	44,767	1,11,187
Additions	-	38,842	1,05,974	21,638	-	1,66,454	-	-	-
Disposals	-	-	(1,13,299)	-	-	(1,13,299)	-	(20,227)	(20,227)
Other adjustments	5,427	35,884	45,001	1,685	21	88,017	1,530	805	2,335
As at December 31, 2016	2,41,019	16,13,677	19,94,808	85,957	951	39,36,411	67,950	25,345	93,295
Depreciation and Impairment:									
As at December 31, 2014	3,405	71,699	6,02,664	24,972	504	7,03,244	14,378	19,044	33,422
Charge for the year	1,026	35,534	2,02,105	7,569	192	2,46,426	4,297	8,402	12,699
Impairment for the year	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Other adjustments	218	5,083	39,296	1,599	35	46,231	919	1,314	2,233
As at December 31, 2015	4,649	1,12,316	8,44,065	34,140	731	9,95,901	19,594	28,760	48,354
Charge for the year	1,075	39,648	2,09,059	8,198	134	2,58,114	4,502	7,728	12,230
Impairment for the year	-	-	-	-	-	-	-	-	-
Disposals	-	-	(1,13,299)	-	-	(1,13,299)	-	(20,227)	(20,227)
Other adjustments	120	3,030	20,512	878	18	24,559	502	523	1,025
As at December 31, 2016	5,844	1,54,994	9,60,337	43,216	883	11,65,275	24,598	16,784	41,382
Net Block:									
As at December 31, 2015	2,30,943	14,26,635	11,13,067	28,494	199	27,99,338	46,826	16,007	62,833
As at December 31, 2016	2,35,175	14,58,683	10,34,471	42,741	68	27,71,136	43,352	8,561	51,913

Note: Other adjustments include adjustments on account of exchange rate translation differences.

Nesher Pharmaceuticals (USA) LLC Notes to the Financial Statements								
	USD- Thousands				INR- Thousands			
	As at December 31							
	2016		2015		2016		2015	
Note: 2-Inventories:								
[The Inventory is valued at lower of cost and net realisable value]								
Classification of Inventories:								
Raw Materials	5,523	4,142	3,75,288	2,75,112				
Work-in-progress	1,897	2,135	1,28,901	1,41,807				
Finished Goods	1,911	1,997	1,29,852	1,32,641				
Total	9,331	8,274	6,34,041	5,49,560				
Note: 3-Trade Receivables:								
Others- Considered good:								
Unsecured	1,234	2,031	83,851	1,34,899				
Total	1,234	2,031	83,851	1,34,899				
Note: 4-Cash and Cash Equivalents:								
Balances with Banks	373	136	25,346	9,033				
Total	373	136	25,346	9,033				
Note: 5-Other Current Assets:								
[Unsecured, Considered Good]								
Prepaid Expenses	712	718	48,381	47,690				
Others	162	154	11,007	10,229				
Total	874	872	59,388	57,919				
Note: 6-Equity Share Capital:								
Capital Contribution of a sole member	10	10	680	664				
	10	10	680	664				
Capital Contribution of USD 10,000/- is from Sole member Zydus Pharmaceuticals (USA) Inc., a company incorporated in the United States of America, which is a subsidiary company of Zydus International Private Limited [Refer Note 25], a company incorporated in the Republic of Ireland which is the subsidiary company of Cadila Healthcare Limited, the ultimate holding company incorporated in India.								
Note: 7-Other Equity:								
Other Reserves:								
Foreign Currency Translation Reserve:								
Balance as per last Balance Sheet			(1,83,334)	(1,22,779)				
Add: Exchange Rate differences on translation to INR			(1,09,289)	(60,555)				
	-	-	(2,92,623)	(1,83,334)				
Retained Earnings:								
Balance as per last Balance Sheet	(52,113)	(35,203)	(32,78,009)	(22,19,900)				
Add: Loss for the year	(21,470)	(16,910)	(14,29,332)	(10,58,109)				
Balance as at the end of the year	(73,583)	(52,113)	(47,07,341)	(32,78,009)				
Total	(73,583)	(52,113)	(49,99,964)	(34,61,343)				
Note: 8-Borrowings:								
	USD- Thousands		INR- Thousands		USD- Thousands		INR- Thousands	
	Non-current portion				Current Maturities			
	As at December 31							
	2016		2015		2016		2015	
Unsecured loan from a related party [*]	1,28,000	1,03,000	86,97,600	68,41,260	-	-	-	
Total	1,28,000	1,03,000	86,97,600	68,41,260	-	-	-	
[*] Loan from Zydus Pharmaceuticals (USA) Inc. [ZPUI]. Interest will be paid at the end of interest period i.e. six months from the date of disbursement. Interest will be payable at 2.2% p.a. plus applicable LIBOR on outstanding amount. The loan will be repaid at the end of 36th, 48th, 60th and 72nd month from the date of disbursement, or as may be called up by ZPUI by giving notice of 30 days for repayment. ZPUI at its sole discretion can relax the repayment schedule.								

Nesher Pharmaceuticals (USA) LLC
Notes to the Financial Statements

	USD- Thousands		INR- Thousands	
	As at December 31			
	2016	2015	2016	2015
Note: 9-Other Financial Liabilities:				
Trade Deposits	36	36	2,446	2,391
Total	36	36	2,446	2,391
Note: 10-Provisions:				
Provision for Employee Benefits	92	77	6,251	5,114
Total	92	77	6,251	5,114
Note: 11-Trade Payables:				
Trade Payables	3,751	3,616	2,54,880	2,40,175
Total	3,751	3,616	2,54,880	2,40,175
Note: 12-Other Financial Liabilities:				
Accrued Expenses	1,313	558	89,218	37,062
Total	1,313	558	89,218	37,062
Note: 13-Provisions:				
Provision for Employee Benefits	644	900	43,759	59,778
Total	644	900	43,759	59,778
	USD- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
Note: 14-Revenue from Operations:				
Sale of Products	36,152	35,166	24,29,414	22,55,547
Other Operating Revenues:				
Royalty Income	30	55	2,016	3,528
Total	36,182	35,221	24,31,430	22,59,075
Note: 15-Other Income:				
Rent Income	213	216	14,314	13,854
Total	213	216	14,314	13,854
Note: 16-Cost of Materials Consumed:				
Raw Materials:				
Stock at commencement	4,142	4,769	2,75,112	3,00,733
Add: Purchases	16,207	13,339	10,89,110	8,55,563
	20,349	18,108	13,64,222	11,56,296
Less: Stock at close	5,523	4,142	3,75,288	2,75,112
Total	14,826	13,966	9,88,934	8,81,184
Note: 17-Changes in Inventories:				
Stock at commencement:				
Work-in-progress	2,135	2,048	1,41,807	1,29,147
Finished Goods	1,997	250	1,32,641	15,765
	4,132	2,298	2,74,448	1,44,912
Less: Stock at close:				
Work-in-progress	1,897	2,135	1,28,901	1,41,807
Finished Goods	1,911	1,997	1,29,852	1,32,641
	3,808	4,132	2,58,753	2,74,448
Total	324	(1,834)	15,695	(1,29,536)
Note: 18-Employee Benefits Expense:				
Salaries and wages	15,518	14,096	10,42,810	9,04,117
Contribution to provident and other funds	1,906	3,401	1,28,083	2,18,140
Staff welfare expenses	1,963	44	1,31,914	2,822
Total	19,387	17,541	13,02,807	11,25,079
Above expenses includes Research related expenses as follows:				
Salaries and wages	2,930	2,776	1,96,896	1,78,053
Contribution to provident and other funds	325	596	21,840	38,227
Staff welfare expenses	281	-	18,883	-
Total	3,536	3,372	2,37,619	2,16,280

**Nesher Pharmaceuticals (USA) LLC
Notes to the Financial Statements**

	USD- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
Note: 19-Finance Cost:				
Interest expense [*]	1,522	1,263	1,02,278	81,009
Bank commission & charges	634	609	42,605	39,061
Total	2,156	1,872	1,44,883	1,20,070
[*] The break up of interest expense into major heads is given below:				
On term loans	1,522	1,263	1,02,278	81,009
Total	1,522	1,263	1,02,278	81,009
Note: 20-Other Expenses:				
Research Materials	2,055	2,007	1,38,096	1,28,729
Consumption of Stores and spare parts	3,587	2,177	2,41,046	1,39,633
Power & fuel	1,678	1,764	1,12,762	1,13,143
Rent	133	132	8,938	8,466
Repairs to Buildings	238	486	15,994	31,172
Repairs to Plant and Machinery	202	318	13,574	20,397
Insurance	283	269	19,018	17,254
Rates and Taxes [excluding taxes on income]	679	749	45,629	48,041
Freight and forwarding on sales	67	656	4,502	42,076
Traveling Expenses	213	111	14,314	7,119
Legal and Professional Fees	4,402	2,898	2,95,814	1,85,877
Net Loss on disposal of Fixed Assets	-	58	-	3,721
Miscellaneous Expenses	3,612	5,137	2,42,726	3,29,488
Total	17,149	16,762	11,52,413	10,75,116
Above expenses includes Research related expenses as follows:				
Research Materials	2,055	2,007	1,38,096	1,28,729
Consumption of Stores and spare parts	587	329	39,446	21,102
Repairs to Buildings	12	2	806	128
Repairs to Plant and Machinery	1	4	67	257
Traveling Expenses	15	9	1,008	577
Legal and Professional fees - Auditor and Tax Fees	728	1,057	48,922	67,796
Miscellaneous Expenses [excluding Depreciation]	110	650	7,392	41,691
Total	3,508	4,058	2,35,737	2,60,280
Note: 21-Related Party Transactions:				
A Name of the Related Parties and Nature of the Related Party Relationship:				
a Holding Company:	Zydus Pharmaceuticals (USA) Inc.			
b Holding Company of Holding Company:	Zydus International Private Limited [Ireland] [Refer Note 25]			
c Ultimate Holding Company:	Cadila Healthcare Limited [India] [Refer Note 25]			
d Fellow Subsidiaries:	Laboratorios Combix S.L. [Spain]			
Dialforhealth India Limited	Zydus Noveltch Inc. [USA]			
Dialforhealth Unity Limited	Hercon Pharmaceuticals LLC [USA]			
Dialforhealth Greencross Limited	Simayla Pharmaceuticals (Pty) Ltd [South Africa]			
Zydus Wellness Limited	Script Management Services (Pty) Ltd [South Africa]			
M/s. Zydus Wellness-Sikkim, a Partnership Firm	Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]			
Zydus Healthcare Limited	ZAHL B.V. [Netherlands]			
Zydus Technologies Limited	ZAHL Europe B.V. [Netherlands]			
Liva Pharmaceuticals Limited	Bremer Pharma GmbH [Germany]			
Alidac Pharmaceuticals Limited	Zydus Nikkho Farmaceutica Ltda. [Brazil]			
Zydus Healthcare (USA) LLC [USA]	Zydus Healthcare Philippines Inc [Philippines]			
Zydus Pharmaceuticals Mexico SA De CV [Mexico]	Zydus Pharma Japan Co. Ltd. [Japan] [Liquidated during the year]			
Zydus Lanka (Private) Limited [Sri Lanka]	Zydus Discovery DMCC [Dubai]			
ETNA Bio Tech [Italy]	Zydus Worldwide DMCC [Dubai]			
Zydus France , SAS [France]	Zydus Healthcare SA (Pty.) Limited, South Africa			
Alidac Healthcare (Myanmar) Limited [Myanmar]				
Zydus Netherlands B.V. [Netherlands]				

Nesher Pharmaceuticals (USA) LLC
Notes to the Financial Statements

Note: 21-Related Party Transactions - Continued:

B Transactions with Related Parties:

The following transactions were carried out with the related parties in the ordinary course of business:

a Details relating to parties referred to in items 21-A [a & c]

Nature of Transactions	Value of the Transactions [USD Thousands]			
	Holding company		Ultimate Holding company	
	2016	2015	2016	2015
Sales:				
Goods:				
Cadila Healthcare Limited			1	3
Zydus Pharmaceuticals (USA) Inc.	36,150	35,155		
Property, Plant and Equipment:				
Cadila Healthcare Limited			-	535
Finance:				
Inter Corporate Loan Received				
Zydus Pharmaceuticals (USA) Inc.	25,000	15,000		
Interest Paid:				
Zydus Pharmaceuticals (USA) Inc.	1,522	1,263		
Bank Guarantee Commission Paid:				
Zydus Pharmaceuticals (USA) Inc.	634	609		
		As at December 31		
Outstanding:				
Payable:				
Zydus Pharmaceuticals (USA) Inc.	1,28,000	1,03,000		
Receivable:				
Zydus Pharmaceuticals (USA) Inc.	1,237	2,031		

Nature of Transactions	Value of the Transactions [INR Thousands]			
	Holding company		Ultimate Holding company	
	2016	2015	2016	2015
Sales:				
Goods:				
Cadila Healthcare Limited	-	-	67	192
Zydus Pharmaceuticals (USA) Inc.	24,29,280	22,54,842		
Property, Plant and Equipment:				
Cadila Healthcare Limited	-	-	-	34,315
Finance:				
Inter Corporate Loan Received				
Zydus Pharmaceuticals (USA) Inc.	16,80,000	9,62,100	-	-
Interest Paid:				
Zydus Pharmaceuticals (USA) Inc.	1,02,278	81,009	-	-
Bank Guarantee Commission Paid:				
Zydus Pharmaceuticals (USA) Inc.	42,605	39,061	-	-
		As at December 31		
Outstanding:				
Payable:				
Zydus Pharmaceuticals (USA) Inc.	86,97,600	68,41,260	-	-
Receivable:				
Zydus Pharmaceuticals (USA) Inc.	84,054	1,34,899	-	-

b There are no transactions with parties referred to in items 21 - A [b & d]

Note: 22-Segment Information:

The Chief Operating Decision Maker [CODM] reviews the Company as single segment, namely, "Pharmaceutical Segment".

Note: 23-Operating Lease:

The Company has entered into an Operating Lease for its manufacturing and warehousing requirement, lease expiring through 2016.

The future minimum rental payments under the lease agreement for the year ended December 31, 2016 and 2015 are as under:

Year	USD- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
2016	-	132	-	8,466
Total Commitments	-	132	-	8,466
Lease payments recognised in the Statement of Profit and Loss	133	132	8,938	8,466

Nesher Pharmaceuticals (USA) LLC
Notes to the Financial Statements

Note: 24-Going Concern:

The company has a negative equity of \$ 73,573 Thousand and 52,103 Thousand at the end December 31, 2016 and 2015 respectively. The financial statements have been prepared on the basis of accounting policies applicable to a going concern. These basis presume that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The holding company Zydus Pharmaceuticals (USA) Inc has given an assurance to provide continuous financial support to the Company to meet its financial commitments and liabilities as and when they fall due. Further, its holding company Zydus Pharmaceuticals (USA) Inc. has positive equity as at December 31, 2016.

Note: 25 Post reporting date events :

Pursuant to the Share Purchase Agreement [SPA] entered into by Zydus International Private Limited [ZIPL], Ireland [wholly owned subsidiary of Cadila Healthcare Limited [CHL], India on March 23, 2017 with Cadila Healthcare Limited [CHL], CHL had acquired all shares held by ZIPL in Zydus Pharmaceuticals (USA) Inc.[ZPUI], USA for Cash Consideration. Pursuant to this, ZPUI has become direct overseas subsidiary of CHL and the Company has become step down subsidiary of CHL.

Note: 26

Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classifications/ disclosure.

Signatures to Significant Accounting Policies and Notes 1 to 26 to the Financial Statements

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

For Zydus Pharmaceuticals (USA) Inc.

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 25, 2017

Director & Representative

Nesher Pharmaceuticals (USA) LLC
Cash Flow Statement for the year ended December 31, 2016

Particulars	USD- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
A Cash flows from operating activities:				
Loss before tax	(21,470)	(16,910)	(14,29,332)	(10,58,109)
Adjustments for:				
Depreciation, Amortisation and Impairment expenses	4,023	4,040	2,70,344	2,59,125
Loss on sale of assets [Net]	-	58	-	3,721
Interest expenses	1,522	1,263	1,02,278	81,009
Provisions for employee benefits	(241)	977	(16,195)	62,665
Total	5,304	6,338	3,56,427	4,06,520
Operating profit before working capital changes	(16,166)	(10,572)	(10,72,905)	(6,51,589)
Adjustments for:				
Decrease in trade receivables	797	1,105	53,559	70,875
[Increase] in inventories	(1,057)	(1,207)	(71,030)	(77,417)
[Increase] in other current assets	(2)	(27)	(134)	(1,732)
Increase/ [Decrease] in trade payables	135	(212)	9,072	(13,598)
Increase/ [Decrease] in other current liabilities	755	(263)	50,736	(16,869)
Total	628	(604)	42,203	(38,741)
Net cash used in operating activities	(15,538)	(11,176)	(10,30,702)	(6,90,330)
B Cash flows from investing activities:				
Purchase of property, plant and equipment	(7,703)	(2,751)	(5,17,642)	(1,76,449)
Proceeds from sale of property, plant and equipment	-	(58)	-	(3,720)
Net cash used in investing activities	(7,703)	(2,809)	(5,17,642)	(1,80,169)
C Cash flows from financing activities:				
Proceeds from non current borrowings	25,000	15,000	16,80,000	9,62,100
Interest paid	(1,522)	(1,263)	(1,02,278)	(81,009)
Net cash from financing activities	23,478	13,737	15,77,722	8,81,091
Net Increase/ [Decrease] in cash and cash equivalents	237	(248)	29,378	10,592
[Decrease] due to the translation to INR [Refer Note-3]	-	-	(13,065)	(25,774)
Cash and cash equivalents at the beginning of the year	136	384	9,033	24,215
Cash and cash equivalents at the end of the year	373	136	25,346	9,033

Notes to the Cash Flow Statement

- 1 All figures in brackets are outflows.
- 2 Previous year's figures have been regrouped wherever necessary.
- 3 Cash Flow Statement is translated into Indian Rupee [INR] at the average exchange rates for the year. The increase/ decrease resulting from such translation is shown separately as "Increase/ [Decrease] due to the translation to INR"

As per our report of even date

For Zydus Pharmaceuticals (USA) Inc.

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 25, 2017

Director & Representative