

Zydus Pharmaceuticals (USA) Inc.
Balance Sheet as at December 31, 2015

Particulars	Note No.	USD Thousands		INR Thousands	
		As at December 31			
		2015	2014	2015	2014
EQUITY AND LIABILITIES:					
Shareholders' Funds:					
Share Capital	1	2,300	2,300	152,766	145,038
Reserves and Surplus	2	74,191	40,503	4,927,765	2,554,120
		76,491	42,803	5,080,531	2,699,158
Non-Current Liabilities:					
Long Term Borrowings	3	35,000	52,500	2,324,700	3,310,650
Current Liabilities:					
Short Term Borrowings	4	50,000	30,000	3,321,000	1,891,800
Trade Payables	5	250,968	113,241	16,669,295	7,140,977
Other Current Liabilities	6	31,008	20,730	2,059,551	1,307,234
		331,976	163,971	22,049,846	10,340,011
Total		443,467	259,274	29,455,077	16,349,819
ASSETS:					
Non-Current Assets:					
Fixed Assets:					
Tangible Assets:					
Tangible Assets	7	1,706	1,783	113,312	112,436
Intangible Assets		358	552	23,778	34,809
Capital works-in-progress		85		5,646	-
		2,149	2,335	142,736	147,245
Deferred Tax Assets [Net]		15,865	11,093	1,053,753	699,525
Non-Current Investments	8	10	10	664	631
Long Term Loans and Advances	9	105,500	90,500	7,007,310	5,706,930
		123,524	103,938	8,204,463	6,554,331
Current Assets:					
Inventories	10	156,419	56,178	10,389,350	3,542,585
Trade Receivables	11	153,217	90,154	10,176,673	5,685,111
Cash and Bank Balances	12	6,840	7,331	454,313	462,293
Short Term Loans and Advances	13	2,992	954	198,728	60,159
Other Current Assets	14	475	719	31,550	45,340
		319,943	155,336	21,250,614	9,795,488
Total		443,467	259,274	29,455,077	16,349,819
Significant Accounting Policies					
Notes to the Financial Statements					
	II				
	1 to 27				

As per our report of even date

For Mukesh M. Shah & Co.

Chartered Accountants

Firm Registration Number: 106625W

For and on behalf of the Board

Chandresh S. Shah

Partner

Membership Number: 042132

Ahmedabad, Dated: May 12, 2016

Director

Zydus Pharmaceuticals (USA) Inc.
Statement of Profit and Loss for the year ended December 31, 2015

Particulars	Note No.	USD Thousands		INR Thousands	
		Year ended December 31			
		2015	2014	2015	2014
REVENUE:					
Revenue from Operations:					
Sale of Products		622,255	465,359	39,911,436	28,400,860
Other Income	16	1,416	1,645	90,822	100,394
Total Revenue		623,671	467,004	40,002,258	28,501,254
EXPENSES:					
Purchases of Stock-in-Trade	17	654,946	413,830	42,008,236	25,256,045
Changes in Inventories of Stock-in-Trade	18	(100,241)	(6,496)	(6,846,765)	(564,646)
Employee Benefits Expenses	19	11,570	16,044	742,100	979,165
Finance Costs	20	2,273	2,471	145,790	150,805
Depreciation, Amortisation and Impairment expenses	7	382	372	24,502	22,704
Other Expenses	21	12,377	18,582	793,861	1,134,060
Total Expenses		581,307	444,803	36,867,724	26,978,133
Profit before Tax		42,364	22,201	3,134,534	1,523,121
Less/ [Add]: Tax Expenses:					
Current Tax		13,448	10,078	862,555	615,060
Deferred Tax		(4,772)	(5,503)	(306,076)	(335,848)
		8,676	4,575	556,479	279,212
Profit for the year		33,688	17,626	2,578,055	1,243,909
		USD		INR	
Basic & Diluted Earning per Common Stock	22	14.65	7.66	1,120.89	540.83
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 27				

As per our report of even date

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

For and on behalf of the Board

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 12, 2016

Director

Zydus Pharmaceuticals (USA) Inc.

I-Organization and Description of Business:

Zydus Pharmaceuticals (USA) Inc. [the Company] is incorporated in New Jersey on November 18, 2003 and is a 100% subsidiary of Zydus International Private Limited [ZIPL]. ZIPL is a company organized under the laws of Ireland. ZIPL is a wholly owned subsidiary of Cadila Healthcare Limited, India [Zydus Cadila].

The company markets and distributes Generics and Authorised Generic pharmaceutical products in the United States of America. Most of the products are procured from Zydus Cadila except the products which are purchased from Neshor Pharmaceuticals [USA] Inc., a related party and from other unrelated parties. The corporate office of the company is located at Pennington, New Jersey which is owned by Zydus Healthcare [USA] LLC, a related party.

II-Summary of Significant Accounting Policies:

1 Basis of Accounting:

These financial statements are prepared on the "accrual basis" of accounting in conformity with accounting principles generally accepted in the United States of America. Consequently, 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 "USD". These accounts have been translated in Indian Rupees [INR] considering the operation of the Company as "Non-integral operations" for holding company. The translation of Financial Statements to INR from "USD" is performed for assets and liabilities using the exchange rate prevailing on the Balance sheet date and for revenue and expenses using the average exchange rate for the respective period. The gain or loss resulting from such translation is included in "Foreign Currency Translation Reserve" under Reserves and Surplus.

3 Use of Estimates:

The preparation of financial statements 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 assets and 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 of property and equipment is calculated 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 Inventories:

Inventories are stated at the lower of cost or market 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.

6 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 of indirectly 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, including medical rebates and other sales allowances are reasonably determinable, and when collectibles is reasonably assured. Accruals for these provisions are presented as a direct reduction to accounts receivable and revenues.

7 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.

8 Income Tax:

The Company records income tax using the asset-and-liability approach in which 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 period 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 34.08% and 43.31% and for years ended December 31, 2015 and 2014. 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.

9 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 subject to Federal limits. 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.

10 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 condition, results of operations or liquidity of the Company. All legal cost is expensed as incurred.

Zydus Pharmaceuticals (USA) Inc.
Significant Accounting Policies-Continue

11 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. From time to time the Company is subject to claims arising in the ordinary course of business, including patent, product liability and other litigation. In determining whether liabilities should be recorded for pending claims, the Company assesses the allegations made and the likelihood that it will be able to defend against the claim successfully. The Company records provisions to the extent it concludes that a contingent liability is probable and the amount thereof is estimable. Because litigation outcomes and contingencies are unpredictable, and because excessive verdicts can occur, these assessments involve complex judgments about future events and can rely heavily on estimates and assumptions.

12 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.

13 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 Company does not expect to have write-offs or adjustments to accounts receivable which would have a material adverse effect on its financial position, liquidity or results of operations.

14 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, product 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 a variety of factors including actual returns experience of that product or similar products, rebate arrangements for each product, and estimated sales by its 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.

15 Investments:

Long term and strategic investments are stated at cost, less any diminution in the value other than temporary.

16 Contingent Liability:

A disclosure for contingent liability is made when there is a possible obligation, that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision/ disclosure is made. Contingent assets are not recognised in the financial statements.

Zydus Pharmaceuticals (USA) Inc.
Notes to the Financial Statements

	USD Thousands		INR Thousands	
	As at December 31			
	2015	2014	2015	2014
Note: 1-Share Capital:				
Authorised:				
3,000,000 [as at December 31, 2014: 3,000,000] Common Stock of \$ 1/- each	3,000	3,000	199,260	189,180
	3,000	3,000	199,260	189,180
Issued, Subscribed and Paid-up:				
2,300,000 [as at December 31, 2014: 2,300,000] Common Stock of \$ 1/- each	2,300	2,300	152,766	145,038
	2,300	2,300	152,766	145,038
A There is no change in the number of shares as at the beginning and end of the year. Number of shares at the end of the year	2,300,000	2,300,000		
B The Company has only Common Stock. All Common Stock rank pari passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the equity shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.				
C Equity shares of \$ 1/- each, fully paid held by Holding Company, Zydus International Private Limited, a company incorporated in the Republic of Ireland which is a subsidiary company of Cadila Healthcare Limited, the ultimate holding company, a company incorporated in India.				
Number of Shares	2,300,000	2,300,000		
% to total share holding	100%	100%		
Note: 2-Reserves and Surplus:				
Securities Premium:				
Premium on Buyback of Equity shares	(27,300)	(27,300)	(1,813,266)	(1,721,538)
Foreign Currency Translation Reserve:				
Balance as per last Balance Sheet			24,140	-
[Less]: Exchange Rate differences on translation to INR			(112,682)	24,140
			(88,542)	24,140
Surplus in Statement of Profit and Loss:				
Balance as per last Balance Sheet	67,803	50,177	4,251,518	3,007,609
Add: Profit for the year	33,688	17,626	2,578,055	1,243,909
Balance as at end of the year	101,491	67,803	6,829,573	4,251,518
Total	74,191	40,503	4,927,765	2,554,120
Note: 3-Long Term Borrowings:				
	USD Thousands		INR Thousands	
	Non-current portion		Current Maturities	
	As at December 31			
	2015	2014	2015	2014
Secured Term Loans from Banks	35,000	52,500	2,324,700	3,310,650
Amount disclosed under Note-6 "Other Current Liabilities"	-	-	-	-
Total	35,000	52,500	2,324,700	3,310,650
A Securities of Secured Long Term Borrowings: The loans from BNP Paribas bank, Bank of the West and HSBC Bank are secured by Corporate Guarantee of Cadila Healthcare Limited.				
B Terms of Repayment of Secured Long Term Borrowings:				
a Loan from BNP Paribas has to be repaid in eight equal half yearly installments of \$ 2,500 Thousands each starting from December 31, 2011. The outstanding balance of loan as of December 31, 2015 and December 31, 2014 was NIL and \$2,500 Thousands respectively. The loan is fully repaid and there is no obligation pending on this loan.				
b The loan from Bank of the West amounting to \$ 15,000 Thousands is payable by June, 2018. The principal amount of the term loan shall be repaid in 3 equal yearly installments. The company will pay interest to the bank on the outstanding amount at a pre-fixed rate per annum plus Libor for interest period of six months.				
c The loan from HSBC Bank amounting to \$ 45,000 Thousands is payable by November, 2018. The principal amount of the term loan shall be repaid in four installments. The company will pay interest to the bank on the outstanding amount at a pre-fixed rate per annum plus Libor for interest period of six months				
	USD Thousands		INR Thousands	
	As at December 31			
	2015	2014	2015	2014
Note: 4-Short Term Borrowings:				
Working Capital Loans from Banks [Secured] [*]	50,000	30,000	3,321,000	1,891,800
Total	50,000	30,000	3,321,000	1,891,800
[*] The loan is secured by Corporate Guarantee of Cadila Healthcare Limited				
Note: 5-Trade Payables:				
Trade Payables	250,968	113,241	16,669,295	7,140,977
Total	250,968	113,241	16,669,295	7,140,977

Zydus Pharmaceuticals (USA) Inc.
Notes to the Financial Statements

	USD Thousands		INR Thousands		
	As at December 31				
	2015	2014	2015	2014	
Note: 6-Other Current Liabilities:					
Current Maturities of Long Term Debt [Refer Note No. 3]	17,500	10,000	1,162,350	630,600	
Provision for Expenses	13,508	10,730	897,201	676,634	
Total	31,008	20,730	2,059,551	1,307,234	
Note: 7-Fixed Assets:					
A Tangible Assets:					
	Plant and Equipment	Furniture and Fixtures	Computer	Office Equipment's	Total
	USD Thousands				
Gross Block:					
As at December 31, 2013	1,668	219	161	387	2,435
Additions		97	48	9	154
Disposals					-
As at December 31, 2014	1,668	316	209	396	2,589
Additions		48	55		103
Disposals					-
As at December 31, 2015	1,668	364	264	396	2,692
Depreciation and Impairment:					
As at December 31, 2013	231	162	133	106	632
Additions	62	25	26	61	174
Disposals					-
As at December 31, 2014	293	187	159	167	806
Additions	63	27	34	56	180
Disposals					-
As at December 31, 2015	356	214	193	223	986
Net Block:					
As at December 31, 2014	1,375	129	50	229	1,783
As at December 31, 2015	1,312	150	71	173	1,706
	INR Thousands				
Gross Block:					
As at December 31, 2013	99,980	13,127	9,650	23,197	145,954
Additions	-	5,920	2,929	549	9,398
Disposals	-	-	-	-	-
Other adjustments	5,204	880	601	1,226	7,911
As at December 31, 2014	105,184	19,927	13,180	24,972	163,263
Additions	-	3,079	3,528	-	6,607
Disposals	-	-	-	-	-
Other adjustments	5,605	1,171	827	1,330	8,933
As at December 31, 2015	110,789	24,177	17,535	26,302	178,803
Depreciation and Impairment:					
As at December 31, 2013	13,846	9,710	7,972	6,354	37,882
Additions	3,784	1,526	1,587	3,723	10,620
Disposals	-	-	-	-	-
Other adjustments	847	556	468	454	2,325
As at December 31, 2014	18,477	11,792	10,027	10,531	50,827
Additions	4,041	1,732	2,181	3,592	11,546
Disposals	-	-	-	-	-
Other adjustments	1,128	690	611	689	3,118
As at December 31, 2015	23,646	14,214	12,819	14,812	65,491
Net Block:					
As at December 31, 2014	86,707	8,135	3,153	14,441	112,436
As at December 31, 2015	87,143	9,963	4,716	11,490	113,312

**Zydus Pharmaceuticals (USA) Inc.
Notes to the Financial Statements**

Note: 7-Fixed Assets-Continue:

B Intangible Assets:	USD		INR	
	Thousands		Thousands	
Computer Software:				
Gross Block:				
As at December 31, 2013	1,214		72,767	
Additions	48		2,929	
Disposals				
Other adjustments			3,886	
As at December 31, 2014	1,262		79,582	
Additions	8		513	
Disposals				
Other adjustments			4,258	
As at December 31, 2015	1,270		84,353	
Amortisation and Impairment:				
As at December 31, 2013	512		30,689	
Additions	198		12,084	
Disposals				
Other adjustments			2,000	
As at December 31, 2014	710		44,773	
Additions	202		12,956	
Disposals				
Other adjustments			2,846	
As at December 31, 2015	912		60,575	
Net Block:				
As at December 31, 2014	552		34,809	
As at December 31, 2015	358		23,778	

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

	USD Thousands		INR Thousands	
	As at December 31			
	2015	2014	2015	2014

Note: 8-Non-Current Investments:

Long Term Investments [Valued at cost]:				
Trade Investments Equity Instruments of a Subsidiary Company [Unquoted]:				
In fully paid-up equity share of Neshier Pharmaceuticals (USA) LLC				
[1 Share of \$ 10,000/-] [Refer Note - 25]	10	10	664	631
Total	10	10	664	631

Note: 9-Long Term Loans and Advances:

Loans and Advances to Related Parties [Unsecured, Considered Good]	105,500	90,500	7,007,310	5,706,930
Total	105,500	90,500	7,007,310	5,706,930
The above amount includes Loans and Advances to Related Parties [Refer note-24 for relationship] as under:				
Zydus Healthcare (USA) LLC [Interest bearing loan]	2,500	2,500	166,050	157,650
Neshier Pharmaceuticals (USA) LLC [Interest bearing loan] [Refer Note 25]	103,000	88,000	6,841,260	5,549,280
Total	105,500	90,500	7,007,310	5,706,930

Note: 10-Inventories:

[The Inventory is valued at lower of cost and net realisable value]				
Stock-in-Trade	156,419	56,178	10,389,350	3,542,585
Total	156,419	56,178	10,389,350	3,542,585

Note: 11-Trade Receivables:

Outstanding for a period less than six months from the date they are due for payment - Considered good [Unsecured]	153,217	90,154	10,176,673	5,685,111
Total	153,217	90,154	10,176,673	5,685,111
Allowances for uncollectible accounts	Nil	Nil	Nil	Nil

Note: 12-Cash and Bank Balances:

Balances with Banks	6,840	7,331	454,313	462,293
Total	6,840	7,331	454,313	462,293

Note: 13-Short Term Loans and Advances:

[Unsecured, Considered Good]				
Others :				
Balances with Revenue Authorities	2,977	931	197,732	58,709
Advances recoverable in cash or in kind or for value to be received	15	23	996	1,450
Total	2,992	954	198,728	60,159

Note: 14-Other Current Assets:

Prepaid Expenses	475	719	31,550	45,340
Total	475	719	31,550	45,340

Note: 15-Contingent Liabilities [to the extent not provided for]:

Severance Package	1,547	1,413	102,752	89,104
[The company has guaranteed severance package covering three months to annual salary to some of its employees respectively for 2015 and 2014 in the event the company terminates employment for reason other than cause and in case of voluntary termination of employment due to significant and adverse change to; title, current salary, mandatory relocation or change in management reporting structure.]				

Zydus Pharmaceuticals (USA) Inc.
Notes to the Financial Statements

	USD Thousands		INR Thousands	
	Year ended December 31			
	2015	2014	2015	2014
Note: 16-Other Income:				
Interest Income [Gross]:				
From Others [Other than long term/ current investments]	1,416	1,645	90,822	100,394
Total	1,416	1,645	90,822	100,394
Note: 17-Purchase of Stock-in-Trade:				
Purchase of Stock-in-Trade	654,946	413,830	42,008,236	25,256,045
Total	654,946	413,830	42,008,236	25,256,045
Note: 18-Changes in Inventories:				
Stock-in-Trade:				
Stock at commencement	56,178	49,682	3,542,585	2,977,939
Less: Stock at close	156,419	56,178	10,389,350	3,542,585
Total	(100,241)	(6,496)	(6,846,765)	(564,646)
Note: 19-Employee Benefits Expense:				
Salaries and wages	10,427	14,863	668,788	907,089
Contribution to provident and other funds	313	302	20,076	18,431
Staff welfare expenses	830	879	53,236	53,645
Total	11,570	16,044	742,100	979,165
The company's contribution to the Employee Benefit Plan	874	711	53,340	43,392
Note: 20-Finance Cost:				
Interest on Term Loans	1,567	1,938	100,507	118,276
Bank commission & charges	706	533	45,283	32,529
Total	2,273	2,471	145,790	150,805
Note: 21-Other Expenses:				
Rent	390	336	25,015	20,506
Repairs to Others	238	273	15,265	16,661
Insurance	613	419	39,318	25,572
Traveling Expenses	727	798	46,630	48,702
Legal and Professional Fees	716	2,399	45,924	146,411
Freight and forwarding on sales	5,848	7,134	375,091	435,388
Seminar, Conference and Exhibition expenses	13	16	834	976
Other marketing expenses	1,453	1,133	93,195	69,147
Miscellaneous Expenses [*]	2,379	6,074	152,589	370,697
Total	12,377	18,582	793,861	1,134,060
[*] Miscellaneous Expenses include:				
A Research related expenses	1,027	3,538	65,872	215,924
B Payment to the auditors:			-	
a As Auditor	52	50	3,335	3,052
b For Other Services	11	7	706	427
c Total	63	57	4,041	3,479
Note: 22-Calculation of Earnings per Equity Share [EPS]:				
The numerators and denominators used to calculate the basic and diluted EPS are:				
A Profit attributable to Shareholders	33,688	17,626	2,578,055	1,243,909
B Basic and weighted average number of Equity shares outstanding during the year	2,300,000	2,300,000	2,300,000	2,300,000
	USD		INR	
C Nominal value of equity share	1	1		
D Basic & Diluted EPS	14.65	7.66	1120.89	540.83
Note: 23-Segment Information:				
There is only one segment namely "Pharmaceutical Products".				

**Zydus Pharmaceuticals (USA) Inc.
Notes to the Financial Statements**

Note: 24-Related Party Transactions:

A Name of the Related Parties and Nature of the Related Party Relationship:

a Holding Company:	Zydus International Private Limited
b Ultimate Holding Company:	Cadila Healthcare Limited
c Subsidiary Company:	Nesher Pharmaceuticals (USA) LLC [USA]
d Fellow Subsidiaries:	
Dialforhealth India Limited	Zydus Lanka (Private) Limited [Sri Lanka]
Dialforhealth Unity Limited	Zydus Healthcare (USA) LLC [USA]
Dialforhealth Greencross Limited	Zydus Noveltech Inc. [USA]
German Remedies Limited	Hercon Pharmaceuticals LLC [USA]
Zydus Wellness Limited	Zydus Healthcare S.A. (Pty) Ltd [South Africa]
M/s. Zydus Wellness-Sikkim, a Partnership Firm	Simayla Pharmaceuticals (Pty) Ltd [South Africa]
Liva Pharmaceuticals Limited	Script Management Services (Pty) Ltd [South Africa]
Zydus Technologies Limited	Zydus France, SAS [France]
Biochem Pharmaceutical Industries Limited	Zydus Nikkho Farmaceutica Ltda. [Brazil]
Alidac Pharmaceuticals Limited [Earlier Known as Zydus BSV Pharma Private Limited]	Zydus Pharma Japan Co. Ltd. [Japan]
M/s. Zydus Healthcare, a Partnership Firm	Laboratorios Combix S.L. [Spain]
Zydus Healthcare Philippines Inc. [Philippines]	Zydus Pharmaceuticals Mexico SA De CV [Mexico]
Zydus Netherlands B.V. [the Netherlands]	Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]
ZAHL B.V. [the Netherlands]	Etna Biotech S.R.L. [Italy]
ZAHL Europe B.V. [the Netherlands]	Zydus Worldwide DMCC [Dubai]
Bremer Pharma GmbH [Germany]	Zydus Discovery DMCC [Dubai]
e Directors:	
Mr. J. D. Renner	Dr. Mahendra. R. Patel
Mr. P. R. Patel [Ceased to be director w.e.f. 20-Feb-2015]	Mr. S. P. Patel [Ceased to be director w.e.f. 20-Feb-2015]
Mr. G. N. Nayak [Ceased to be director w.e.f. 20-Feb-2015]	
f Enterprises significantly influenced by Directors and/ or their relatives:	
Mahadev Management Inc. [Dr. Mahendra Patel owns 50% interest]	

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 24 – A [b, c, d & f]

Nature of Transactions	Value of the Transactions [USD Thousands]			
	Ultimate Holding company	Subsidiary company		Enterprise Influenced by directors
		Year ended December 31	/ Fellow subsidiaries/	
	2015	2014	2015	2014
Purchases:				
Services:				
Cadila Healthcare Limited	1,292	1,258	163	169
Zydus Healthcare (USA) LLC			540	1,720
Mahadev Management Inc.				
Goods:				
Cadila Healthcare Limited	544,210	250,284	35,155	35,970
Nesher Pharmaceuticals (USA) LLC				
Inter Corporate Loan given				
Zydus Noveltech Inc.			-	3,500
Nesher Pharmaceuticals (USA) LLC			15,000	
Inter Corporate Loan Repaid				
Zydus Noveltech Inc.			-	3,500
Reimbursements:				
Reimbursement of bank Guarantee commission received:				
Nesher Pharmaceuticals (USA) LLC			609	750
Reimbursement of expenses received:				
Cadila Healthcare Limited	13,857	9,186		
Finance:				
Interest Received:				
Zydus Noveltech Inc.			-	13
Nesher Pharmaceuticals (USA) LLC			1,263	1,481
Zydus Healthcare (USA) LLC			150	150
Total	-	-	1,413	1,645
Outstanding:				
Payable:				
Cadila Healthcare Limited	228,145	85,123	2,031	3,136
Nesher Pharmaceuticals (USA) LLC				
Receivables:				
Zydus Healthcare (USA) LLC			2,500	2,500
Nesher Pharmaceuticals (USA) LLC			103,000	88,000
Total	-	-	105,500	90,500

b There are no transactions with parties referred to in items 24 – A [a & e]

**Zydus Pharmaceuticals (USA) Inc.
Notes to the Financial Statements**

Note: 24-Related Party Transactions - Continued:

Nature of Transactions	Value of the Transactions [INR Thousands]			
	Ultimate Holding company Year ended December 31		Subsidiary company / Fellow subsidiaries	
	2015	2014	2015	2014
Purchases:				
Services:				
Cadila Healthcare Limited	82,869	76,776		
Zydus Healthcare (USA) LLC			10,455	10,314
Mahadev Management Inc.	-	-	34,636	104,972
Goods:				
Cadila Healthcare Limited				
Nesher Pharmaceuticals (USA) LLC	34,905,629	15,274,833	2,254,842	2,195,249
Inter Corporate Loan given				
Zydus Noveltech Inc.				213,605
Nesher Pharmaceuticals (USA) LLC			962,100	
Inter Corporate Loan Repaid				
Zydus Noveltech Inc.				213,605
Reimbursements:				
Reimbursement of bank Guarantee commission received:				
Nesher Pharmaceuticals (USA) LLC			39,061	45,773
Reimbursement of expenses received:				
Cadila Healthcare Limited	888,788	560,622		
Finance:				
Interest Received:				
Zydus Noveltech Inc.				793
Nesher Pharmaceuticals (USA) LLC			81,009	90,406
Zydus Healthcare (USA) LLC			9,642	9,175
Total	-	-	90,651	100,374
		As at December 31		
Outstanding:				
Payable:				
Cadila Healthcare Limited	15,153,391	5,367,856		
Nesher Pharmaceuticals (USA) LLC			134,899	197,756
Receivables:				
Zydus Healthcare (USA) LLC			166,050	157,650
Nesher Pharmaceuticals (USA) LLC			6,841,260	5,549,280
Total	-	-	7,007,310	5,706,930

Note: 25

The Company has investment in Nesher Pharmaceuticals (USA) LLC, a subsidiary of the Company. The accumulated losses as at December 31, 2015 amounting to USD 52,113 [as at December 31, 2014: USD 35,203] Thousands has exceeded the net worth of the said entity. However having regard to the long term strategic investment, non current investments and long term loans and advances granted to the said entity are considered good and accordingly no provision for the same has been made.

Note: 26-Operating Lease:

The Company has entered into an Operating Lease for its office facility and equipment lease expiring through March 2016. The future minimum rental payments under the lease agreement for the year ended December 31, 2015 and 2014 are as under:

Year	USD Thousands		INR Thousands	
	Year ended December 31			
	2015	2014	2015	2014
2015		302	-	18,426
2016	80	75	5,144	4,607
Total Commitments	80	377	5,144	23,033
Lease payments recognised in the Statement of Profit and Loss	390	336	25,015	20,506

Note: 27 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 27 to the Financial Statements

As per our report of even date

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

For and on behalf of the Board

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 12, 2016

Director

Zydus Pharmaceuticals (USA) Inc.
Cash Flow Statement for the year ended December 31, 2015

Particulars	USD Thousands		INR Thousands	
	Year ended December 31			
	2015	2014	2015	2014
A Cash flows from operating activities:				
Profit before tax	42,364	22,201	3,134,534	1,523,121
Adjustments for:				
Depreciation, Amortisation and Impairment expenses	382	372	24,501	22,703
Interest income	(1,416)	(1,645)	(90,822)	(100,394)
Interest expenses	1,567	1,938	100,507	118,276
Total	533	665	34,186	40,585
Operating profit before working capital changes	42,897	22,866	3,168,720	1,563,706
Adjustments for:				
Decrease/ [Increase] in trade receivables	(63,063)	(40,747)	(4,044,861)	(2,486,789)
Decrease/ [Increase] in inventories	(100,241)	(6,496)	(6,429,458)	(396,451)
Decrease/ [Increase] in short term advances	(2,038)	662	(130,717)	40,402
Decrease/ [Increase] in other current assets	244	(423)	15,650	(25,816)
Increase/ [Decrease] in trade payables	137,727	46,117	8,833,810	2,814,521
Increase/ [Decrease] in other current liabilities	2,778	4,093	178,181	249,796
Total	(24,593)	3,206	(1,577,395)	195,663
Cash generated from operations	18,304	26,072	1,591,325	1,759,369
Direct taxes paid [Net of refunds]	(13,448)	(10,078)	(862,555)	(615,060)
Net cash from [used] operating activities	4,856	15,994	728,770	1,144,309
B Cash flows from investing activities:				
Purchase of fixed assets	(196)	(150)	(12,571)	(9,155)
Advances to subsidiaries	(15,000)	(13,955)	(962,100)	(851,674)
Interest received	1,416	1,795	90,822	109,549
Net cash used [from] in investing activities	(13,780)	(12,310)	(883,849)	(751,280)
C Cash flows from financing activities:				
Proceeds from Long Term Borrowings	(10,000)	(5,000)	(641,400)	(305,150)
Short Term Borrowings [Net]	20,000	6,000	1,282,800	366,180
Interest paid	(1,567)	(1,938)	(100,507)	(118,276)
Net cash used [from] in financing activities	8,433	(938)	540,893	(57,246)
Net increase in cash and cash equivalents	(491)	2,746	385,814	335,783
Increase/ [Decrease] due to the translation to INR [Refer Note-3]	-	-	(393,794)	(148,315)
Cash and cash equivalents at the beginning of the year	7,331	4,585	462,293	274,825
Cash and cash equivalents at the end of the year	6,840	7,331	454,313	462,293

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 and on behalf of the Board

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

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 12, 2016

Director