RANBAXY INC.
AND IT'S SUBSIDIARIES

Consolidated Financial Statements

March 31, 2014 and December 31, 2012

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

To
The Board of Directors
Ranbaxy Laboratories Limited

At your request, we have audited the accompanying special purpose consolidated financial statements, initialed and stamped for identification purposes, of Ranbaxy Inc. and its subsidiaries ('the Group') which comprises the Consolidated Balance Sheet as at March 31, 2014 and December 31, 2012, the related Consolidated Statement of Income and Retained Earnings, Consolidated Statement of Stockholders' Equity and Comprehensive Income, and Consolidated Statement of Cash Flows for the periods then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 the consolidated financial statements 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 the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of the Group as at March 31, 2014 and December 31, 2012, the results of their operations and their cash flows for the periods then ended in accordance with U.S. generally accepted accounting principles.

Restriction on use

Without qualifying our opinion, we draw attention to note 1(b) in the consolidated financial statements which explains that these consolidated financial statements have been prepared for the limited purpose of the information and use of the Board of Directors of Ranbaxy Laboratories Limited ('the intermediate holding company') within India. As a result, these consolidated financial statements will not be suitable for another purpose. Our report is intended solely for the Board of Directors of Ranbaxy Laboratories Limited and should not be used or distributed to any other party.

For **B S R & Co. LLP**
Chartered Accountants
Registration No.: 101248W

Pravin Tulsyan
Partner
Membership No.: 108044

Place: Gurgaon, India
Date:

RANBAXY INC. AND ITS SUBSIDIARIES
Consolidated Balance Sheet
March 31, 2014 and December 31, 2012
(All amounts in United States dollars, unless otherwise stated)

	March 31, 2014	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents (Refer to note 25)	45,301,441	166,145,843
Trade accounts receivable, net (Refer to note 8)	71,059,534	59,838,038
Inventories, net (Refer to note 9)	73,063,596	56,993,353
Dues from related parties (Refer to note 19)	573,481,085	78,568,817
Other current assets (Refer to note 10)	5,134,108	5,296,337
Deferred tax asset (Refer to note 18)	11,558,105	10,957,107
Total current assets	**779,597,869**	**377,799,495**
Property, plant and equipment, net (Refer to note 11)	97,917,126	88,478,582
Intangible assets, net (excluding goodwill) (Refer to note 13)	33,554,290	27,120,193
Goodwill (Refer to note 12)	7,826,846	7,826,846
Other assets	496,208	482,831
Total assets	**$ 919,392,339**	**$ 501,707,947**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	17,350,231	36,343,725
Current installments of obligations under capital lease (Refer to note 15)	1,849,691	1,625,050
Dues to related parties (Refer to note 19)	407,109,977	12,800,243
Income taxes payable (Refer to note 18)	9,982,725	12,559,681
Accrued expenses and other current liabilities (Refer to note 14)	59,924,187	70,417,709
Allowances for sales returns (Refer to note 14)	13,080,839	12,263,143
Total current liabilities	**509,297,650**	**146,009,551**
Obligations under capital leases excluding current installments (Refer to note 15)	367,126	2,643,281
Other liabilities	1,689,013	1,580,473
Deferred tax liability (Refer to note 18)	693,287	4,854,356
Total liabilities	**512,047,076**	**155,087,661**
Stockholders' equity		
Class A Common Stock, $1 par value, Authorized 15,000,000 shares; issued and outstanding 13,000,000 shares as of March 31, 2014 and December 31, 2012. Class B Common Stock, $1 par value, Authorized 1,500 shares; issued and outstanding 519 shares as of March 31, 2014 and December 31, 2012	13,000,000	13,000,000
Additional paid in capital (Refer to note 22)	46,354,476	45,854,152
Retained earnings	347,424,245	287,766,134
Total equity attributable to Ranbaxy Inc and its subsidiaries	**406,778,721**	**346,620,286**
Non-controlling interest (Refer to note 24)	566,542	-
Total stockholders' equity	**407,345,263**	**346,620,286**
Commitment and contingencies (Refer to note 2)		
Total liabilities and stockholder's equity	**$ 919,392,339**	**$ 501,707,947**

See accompanying notes to the consolidated financial statements.

Stamped and initialed for identification purposes with reference to our audit report dated 20 June 2014.

RANBAXY INC. AND ITS SUBSIDIARIES

Consolidated Balance Sheet

March 31, 2014 and December 31, 2012

(All amounts in Indian Rupees, unless otherwise stated)

	March 31, 2014	**December 31, 2012**
ASSETS		
Current assets:		
Cash and cash equivalents (Refer to note 25)	2,712,661,137	9,079,007,814
Trade accounts receivable, net (Refer to note 8)	4,255,061,904	3,269,838,142
Inventories, net (Refer to note 9)	4,375,065,618	3,114,390,874
Dues from related parties (Refer to note 19)	34,340,184,710	4,293,377,978
Other current assets (Refer to note 10)	307,431,622	20,644,781,148
Deferred tax asset (Refer to note 18)	692,102,096	598,749,016
Total current assets	**46,682,507,088**	**20,644,781,148**
Property, plant and equipment, net (Refer to note 11)	5,863,300,980	4,834,895,191
Intangible assets, net (excluding goodwill) (Refer to note 13)	2,009,238,910	1,481,977,760
Goodwill (Refer to note 12)	468,673,413	427,696,503
Other assets	29,713,047	2,6384,208
Total assets	**55,053,433,439**	**27,415,734,809**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	1,038,935,988	1,985,995,902
Current installments of obligations under capital lease (Refer to note 15)	110,759,956	88,800,546
Dues to related parties (Refer to note 19)	24,377,842,934	699,466,831
Income taxes payable (Refer to note 18)	597,767,964	686,321,366
Accrued expenses and other current liabilities (Refer to note 14)	3,588,274,671	3,847,962,240
Allowances for sales returns (Refer to note 14)	783,283,801	670,117,104
Total current liabilities	**30,496,865,314**	**7,978,663,989**
Obligations under capital leases excluding current installments (Refer to note 15)	21,983,573	144,441,585
Other liabilities	101,138,477	86,364,645
Deferred tax liability (Refer to note 18)	41,514,192	265,265,355
Total liabilities	**306,61,501,556**	**8,474,735,574**
Stockholders' equity		
Class A Common Stock, $1 par value, Authorized 15,000,000 shares; issued and outstanding 13,000,000 shares as of March 31, 2014 and December 31, 2012. Class B Common Stock, $1 par value, Authorized 1,500 shares; issued and outstanding 519 shares as of March 31, 2014 and December 31, 2012	407,777,893	407,777,893
Additional paid in capital (Refer to note 22)	2,775,717,126	2505,691,366
Retained earnings	16,435,232,418	12,933,780,316
Accumulative other comprehensive (loss) income	4,739,279,776	3,093,749,659
Total equity attributable to Ranbaxy Inc and its subsidiaries	24,358,007,213	18,940,999,235
Non-controlling interest (Refer to note 24)	33,924,671	-
Total stockholders' equity	**24,391,931,883**	**18,940,999,235**
Commitment and contingencies (Refer to note 2)		
Total liabilities and stockholder's equity	**55,053,433,439**	**27,415,734,809**

See accompanying notes to the consolidated financial statements.

Stamped and initialed for identification purposes with reference to our audit report dated 20 June 2014.

RANBAXY INC. AND ITS SUBSIDIARIES
Consolidated Statements of Income and Comprehensive Income

Fifteen months ended March 31, 2014 and Year ended December 31, 2012
(All amounts in United States dollars, unless otherwise stated)

	Fifteen months ended March 31, 2014	Year ended December 31, 2012
Net sales	637,107,454	950,446,590
Other operating income	19,279,579	10,914,384
Total Revenue	**$ 656,387,033**	**$ 961,360,974**
Cost of goods sold	362,031,800	725,812,148
Selling, general and administrative expenses (Refer to note 3, note 4 and note 20)	153,849,425	75,980,889
Research and development expenditure (Refer to note 17)	22,811,501	10,324,724
Depreciation and amortization (Refer to note 16)	18,652,408	14,083,042
Operating income	**$ 99,041,899**	**$ 135,160,171**
Interest expense, net	(364,572)	(470,875)
Interest income	483,571	1,102,345
Other income, net	222,263	287,688
Income before income taxes	**$ 99,383,161**	**$ 136,079,329**
Income tax expense (Refer to note 18)	39,158,508	44,914,665
Net income	**$ 60,224,653**	**$ 91,164,664**
Less: Net income attributable to non-controlling interest (Refer to note 24)	(566,542)	-
Net income attributable to Ranbaxy Inc and its subsidiaries	**59,568,111**	**$ 91,164,664**
Retained earnings, beginning	287,766,134	196,601,470
Retained earnings, ending	**$ 347,424,245**	**$ 287,766,134**

See accompanying notes to the consolidated financial statements.

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RANBAXY INC. AND ITS SUBSIDIARIES
Consolidated Statements of Income and Comprehensive Income

Fifteen months ended March 31, 2014 and Year ended December 31, 2012
(All amounts in India Rupees, unless otherwise stated)

	Fifteen months ended March 31, 2014	Year ended December 31, 2012
Net sales	37,698,665,887	50,826,020,856
Other operating income	1,140,803,491	583,656,924
Total Revenue	**38,839,469,378**	**51,409,677,779**
Cost of goods sold	21,422,000,000	38,813,483,850
Selling, general and administrative expenses (Refer to note 3, note 4 and note 20)	9,103,516,272	4,063149,164
Research and development expenditure (Refer to note 17)	1,349,792,959	552,124,284
Depreciation and amortization (Refer to note 16)	1,103,692,717	753,103,850
Operating income	**5,860,467,430**	**7,227,816,631**
Interest expense, net	(21,572,311)	(25,180,481)
Interest income	28,613,651	58,948,930
Other income, net	13,151,657	15,384,385
Income before income taxes	**5,852,046,776**	**7,218,020,535**
Income tax expense (Refer to note 18)	2,317,071,479	2,401,853,743
Net income	**3,534,975,296**	**4,816,166,791**
Less: Net income attributable to non-controlling interest (Refer to note 24)	(33,523,195)	-
Net income attributable to Ranbaxy Inc and its subsidiaries	**3,501,452,101**	**4,816,166,791**
Retained earnings, beginning	12,933,780,316	8,117,613,525
Retained earnings, ending	**16,435,232,418**	**12,933,780,316**

See accompanying notes to the consolidated financial statements.

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RANBAXY INC. AND ITS SUBSIDIARIES
Consolidated Statements of Stockholders’ Equity and Comprehensive Income
(All amount in United States dollars, unless otherwise stated)

	Common stock		Additional paid in capital	Retained earnings	Non controlling Interest	Total stockhloders’ equity
	Shares	**Amount**				
Balance as at January 1, 2013	13,000,000	13,000,000	45,854,152	287,766,134	-	346,620,286
Net earnings for the fifteen months				59,658,111	566,542	60,224,653
ended March 31, 2014	-	-	-	-	-	-
Excess tax benefit upon exercise of	-	-	-	-	-	-
stock options				-	-	
Stock option expense (Refer to note 22)	-	-	500,324	-	-	500,324
Balance as at March 31, 2014	**13,000,000**	**13,000,000**	**46,354,476**	**347,424,245**	**566,542**	**407,345,263**
Balance as at January 1, 2012	13,000,000	13,000,000	45,129,936	196,601,470	-	254,731,406
Net earnings for the year ended December 31, 2012	-	-	-	91,164,664	-	91,164,664
Excess tax benefit upon exercise of stock options	-	-	7,816	-	-	7,816
Stock option expense (Refer to note 22)	-	-	716,400	-	-	716,400
Balance as at December 31, 2012	**13,000,000**	**13,000,000**	**45,854,152**	**287,766,134**	**-**	**346,620,286**

See accompanying notes to the consolidated financial statements.

Stamped and initialed for identification purposes with reference to our audit report dated 20 June 2014.

RANBAXY INC. AND ITS SUBSIDIARIES
Consolidated Statements of Stockholders’ Equity and Comprehensive Income
(All amount in Indian Rupees, unless otherwise stated)

	Common stock Shares	Common stock Amount	Additional paid in capital	Retained earnings	Non controlling Interest	Accumulated other comprehensive (loss) income	Total stockhloders’ equity
Balance as at January 1, 2013	407,777,893	407,777,893	2,505,691,366	12,933,780,316	-	3,093,749,659	18,940,999,234
Net earnings for the fifteen months				3,501,452,101	33,523,195		3,467,928,906
ended March 31, 2014	-	-	-	-	-		-
Excess tax benefit upon exercise of	-	-	-	-	-		-
stock options				-	-		
Stock option expense (Refer to note 22)	-	-	270,025,760	-	-		270,025,760
Foreign currency translation adjustment						1,645,530,117	1,645,530,117
Balance as at March 31, 2014	**407,777,893**	**407,777,893**	**2,775,717,126**	**16,435,232,417**	33,523,195	**4,739,279,776**	**24,324,484,017**
Balance as at January 1, 2012	407,777,893	407,777,893	2,042,909,612	8,117,613,526	-	2,981,241,841	13,549,542,872
Net earnings for the year ended							4,875,115,723
December 31, 2012	-	-	-	4,816,166,790	-		
Excess tax benefit upon exercise of	-	-	427,104	-	-		427,104
stock options							
Stock option expense (Refer to note 22)	-	-	462,354,650	-	-		462,354,650
Foreign currency translation adjustment						112,507,818	112,507,818
Balance as at December 31, 2012	**407,777,893**	**407,777,893**	**2,505,691,366**	**12,933,780,316**	**-**	**3,093,749,659**	**18,940,999,234**

See accompanying notes to the consolidated financial statements.

Stamped and initialed for identification purposes with reference to our audit report dated 20 June 2014.

RANBAXY INC. AND ITS SUBSIDARIES
Consolidated statement of cash flows

Fifteen months ended March 31, 2014 and Year ended December 31, 2012
(All amount in United States dollars, unless otherwise stated)

	Fifteen months ended March 31, 2014	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income after tax	60,224,653	91,164,664
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	18,652,408	14,083,042
Property, plant and equipment written off	28,682	54,781
Deferred income taxes	(4,762,067)	564,201
Gain on disposal of property, plant and equipment	-	(163,000)
Provision for inventory obsolescence	5,937,076	1,527,383
Equity share option scheme expense	500,324	716,400
Unclaimed balances written back	(1,357,942)	-
Interest income	(33,463)	-
Change in operating assets and liabilities		
(Increase)/ Decrease in trade accounts receivable	(11,221,496)	218,033,911
(Increase)/ Decrease in inventories	(22,007,319)	267,943,537
Decrease/ (Increase) in other assets	148,852	(1,350,660)
(Decrease)/ Increase in Trade accounts payable, accrued expenses, other liabilities and allowance for sales returns	(27,685,819)	43,359,644
(Decrease)/ Increase in income tax payables	(2,576,956)	8,965,795
Decrease in due to/ from related parties	70,298,077	(539,909,995)
Net provided by operating activities	**86,145,010**	**104,989,703**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(23,144,103)	(6,530,155)
Capital advances utilized/ (given)	779,963	(2,690,064)
Purchase of intangible assets	(11,706,610)	(9,726,331)
Proceeds from sale of property, plant and equipment	-	163,000
Settlement with DOJ (Refer to note 3)	(489,267,148)	-
Loan granted during the period	(40,000,000)	(10,000,000)
Loan received back during the period	-	10,000,000
Net cash (used) in investing activities	**(563,337,898)**	**(18,783,550)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Excess of tax benefit on exercise of stock options	-	7,816
Repayment of capital lease obligation	(2,051,514)	(1,447,917)
Loan taken during the period	358,400,000	-
Net cash provided by/ (used in) financing activities	**356,348,486**	**(1,440,101)**
Net (decrease)/ increase in cash and cash equivalents	**(120,844,402)**	**84,766,052**
Beginning of the period	166,145,843	81,379,791
End of the period	45,301,441	166,145,843
SUPLLEMENTARY CASH FLOW INFORMATION		
Cash paid (net of refunds) during the period for income taxes	46,497,531	35,284,814
Cash paid during the period for interest	364,572	470,875

(All amount in United States dollars, unless otherwise stated)

	Amounts in INR	
	Fifteen months ended March 31, 2014	**Year ended December 31, 2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income after tax	3,563,588,935	4,875,115,722
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,103,692,781	753,103,850
Property, plant and equipment written off	1,697,160	2,929,465
Deferred income taxes	(281,779,112)	30,171,176
Gain on disposal of property, plant and equipment	-	(8,716,578)
Provision for inventory obsolescence	351,306,272	81,678,235
Equity share option scheme expense	29,604,970	38,310,160-
Unclaimed balances written back	(80,351,598)	-
Interest income	(1,980,059)	
Change in operating assets and liabilities		
(Increase)/ Decrease in trade accounts receivable	(663,993,846)	11,659,567,433
(Increase)/ Decrease in inventories	(1,302,208,225)	14,328,531,390
Decrease/ (Increase) in other assets	8,807,811	(72,227,807)
(Decrease)/ Increase in Trade accounts payable, accrued expenses, other liabilities and allowance for sales returns	(1,638,214,142)	2,318,697,540
(Decrease)/ Increase in income tax payables	(152,482,604)	479,454,278
Decrease in due to/ from related parties	4,862,180,946	(28,654,840,676)
Net provided by operating activities	**5,799,869,289**	**5,831,774,190**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,369,473,550)	(349,206,150)
Capital advances utilized/ (given)	46,151,657	(143,853,690)
Purchase of intangible assets	(692,698,817)	(520,124,652)
Proceeds from sale of property, plant and equipment	-	8,716,578
Settlement with DOJ (Refer to note 3)	(28,950,718,817)	-
Loan granted during the period	(2,366,863,905)	(534,759,358)
Loan received back during the period	-	534,759,358
Net cash (used) in investing activities	**(33,333,603,432)**	**(1,004,467,914)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Excess of tax benefit on exercise of stock options	-	417,968
Repayment of capital lease obligation	(121,391,361)	(77,428,717)
Loan taken during the period	21,207,100,592	-
Net cash provided by/ (used in) financing activities	**21,085,709,231**	**(77,010,749)**
Net (decrease)/ increase in cash and cash equivalents	**(6,366,346,676)**	**4,750,295,527**
Beginning of the period	9,079,007,814	4,328,712,287
End of the period	2,712,661,138	9,079,007,814
SUPLLEMENTARY CASH FLOW INFORMATION		
Cash paid (net of refunds) during the period for income taxes	2,751,333,195	1,886,888,449
Cash paid during the period for interest	21,572,308	25,180,481

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Incorporation and history

Ranbaxy Inc. ('Ranbaxy') was incorporated on July 1, 1994 in the State of Delaware. It is a wholly-owned subsidiary of Ranbaxy (Holdings) U.K. Limited ('RHUK'), which is a wholly- owned subsidiary of Ranbaxy (Netherlands) BV ('RNBV'), which in turn is a wholly owned subsidiary of Ranbaxy Laboratories Limited ('intermediate holding company') ('RLL'). RLL is a subsidiary of Daiichi Sankyo Company Limited, Japan, which is also the ultimate holding company. Ranbaxy Inc. and its Subsidiaries (the 'Group') are manufacturer and distributor of prescription, branded and over-the-counter drugs. The Group obtains its products from its owned manufacturing plants, RLL and third parties. The Group operates two manufacturing facilities in New Jersey and sells to customers throughout the United States of America ('USA') and Canada. The Group distributes its products pursuant to rights obtained through Abbreviated New Drug Application ('ANDA') approvals in USA, licensing rights obtained from RLL and third parties. The Group's products are subject to the regulatory approval of the United States Food and Drug Administration ('USFDA').

(b) Principles of consolidation

The accompanying consolidated financial statements have been prepared in conformity of US generally accepted accounting principles (US GAAP) to reflect the financial position and results of the Group. The consolidated financial statements are prepared in U.S. Dollars (USD) and include the accounts of subsidiaries in which a controlling interest is maintained. Controlling interest is determined by majority ownership interest and the absence of substantive third-party participating rights or, in the case of variable interest entities, by majority exposure to expected losses, residual returns or both. The consolidated financial statements include the accounts of Ranbaxy Inc. and the following subsidiaries:

Subsidiaries	**Ownership**
Ranbaxy Pharmaceuticals, Inc.	100%
Ranbaxy USA, Inc.	100%
Ohm Laboratories, Inc.	100%
Ranbaxy Laboratories, Inc.	100%
Ranbaxy Signature LLC	67.5%

These consolidated financial statements have been prepared for the limited purpose of the information and use of the Board of Directors of RLL within India.

The financial year of the Group has been changed from January-December to April-March effective 01 April 2014. In view of this, the current financial year of the Group is for a period of 15 months i.e. 01 January 2013 to 31 March 2014 ('current period') and, accordingly, the figures for the current period are not comparable with figures for the year ended 31 December 2012 ('previous year') presented in the consolidated statement of income and retained earnings and related notes.

Stamped and initialed for identification purposes with reference to our audit report dated 20 June 2014.

(c) Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the results of operations during the reporting period. The most significant estimates relate to the deferred tax, determination of allowances for sales return and accounts receivables, accrued liabilities, valuation of inventory balances, determination of useful lives for property, plant and equipment and intangible assets, and other long lived assets for impairment. The management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management become aware of changes in circumstances surrounding the estimates. Any changes in estimates are recognized prospectively.

(d) Functional currency

Operations of the Group are carried out in USA and accordingly, functional currency of each entity is determined as U.S. Dollar ('USD' or '$').

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balance placed with bank and cash on deposits placed with banks in the normal course of business operations. The Group considers all deposits placed with banks with an original maturity of three months or less to be cash equivalents.

(f) Revenue recognition

Revenue is earned when persuasive evidence of an arrangement exists, the seller's price to the buyer is fixed or determinable, and collectability is reasonably assured. The Company records revenue from product sales when title and risk of ownership have been transferred to the customer, which is typically upon delivery to the customer.

Revenue from sale of services, included in net sales, is recognized on accrual basis as per the terms of the contract with customers when the related services are rendered.

Revenues are shown net of applicable cash discounts, volume discounts, rebates, chargebacks, expense incurred towards patient coupons and other credits/allowances as applicable.

Allowances for sales return are estimated and provided for in the year of sales. Such allowances are made based on the historical trend. The Group has the ability to make a reasonable estimate of the amount of future returns due to large volumes of homogeneous transactions and historical experience with similar types of product sales. In respect of new products launched or expected to be launched, the sales returns are not expected to be different from the existing products as such products relate to categories where established products exist and are sold in the market. Further, the Group evaluates the sales returns of all the products at the end of each reporting period and necessary adjustments, if any, are made.

A chargeback represents an amount payable in the future to a wholesaler for the difference between the invoice price paid by a wholesaler for a particular product and the negotiated contract price that the wholesaler pays for that product. The Group estimates the amount of expected chargeback primarily based on historical experience regarding expected wholesaler inventories and current contract prices.

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The Group has a patient coupon programme in relation to its certain products. These patient coupons enable the eligible customers to avail a discount at the time of dispensing of prescriptions and the related cost of such patient coupons is borne by the Group. Such discount is estimated based on historical experience including usage of such coupon by the eligible customers and is netted off from revenue.

When the Group receives advance payments from customers for sale of products, such payments are reported as advances from customers until all conditions for revenue recognition are met.

Interest income is recognized on a time proportion basis.

(g) Other operating income

The Group manufactures exhibit batches for RLL and also provides business support services to RLL and Ranbaxy Canada. The Group recovers cost of manufacturing of exhibit batches and cost of services along with markup as per terms of the respective agreements.

Royalty income is recognized in accordance with the terms of their respective contractual agreements when collectability is reasonably assured and revenue can be reasonably measured.

(h) Inventories

Inventories consist of raw materials, stores and spares, packing material, work-in-process and finished goods (manufactured and traded) and are stated at the lower of cost and market value. Manufactured finished goods and work-in-process inventory are valued at standard cost as adjusted for actuals using the first in first out (FIFO) method. The cost of raw materials, packing materials, stores and spares and traded goods is determined using their 'moving weighted average' cost.

A write down of inventory to the lower of cost and market value at the close of a fiscal period creates a new cost basis and is not marked up based on changes in underlying facts and circumstances.

Inventories are reviewed on a periodic basis for identification and write-off of slow moving and obsolete inventory. Such write-downs, if any, are included in cost of goods sold.

(i) Other current assets

Other current assets primarily consist of prepaid expenses, prepaid insurance and advances to suppliers, deposit with suppliers etc.

(j) Shipping and handling expense

Shipping and handling expense incurred to transport products to customers are included in selling, general and administrative expenses.

(k) Research and development

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities that are acquired or constructed for research and development activities and having alternative future uses is capitalized as tangible assets when acquired or constructed.

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(l) Property, plant and equipment

Property, plant and equipment including acquired under capital lease agreements are stated at cost less accumulated depreciation and impairment. The Group depreciates property, plant and equipment over the estimated useful life using the straight-line method. Leasehold improvements are amortized over the useful life or the period of lease, whichever is shorter. Upon retirement or disposal of assets, the cost of the asset and the related accumulated depreciation and impairment are eliminated from the accounts and the resulting gain or loss is credited or charged to consolidated statement of income and retained earnings.
The estimated useful lives of assets are as follows:

Leasehold improvements	Shorter of remaining lease term or life of the assets
Buildings	31 - 39 years
Leasehold Buildings	10 years
Leasehold equipment	5 years
Machinery and equipment	5 - 8 years
Computers (including those acquired on lease)	4 years
Office equipment	8 years
Furniture and fixtures	8 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment not put to use before such date are accounted under capital work-in-progress which is disclosed under property, plant and equipment. The interest cost incurred for funding an asset during its construction period is capitalized based on the actual investment in the asset and the average cost of funds. The capitalized interest is included in the cost of the relevant asset and is depreciated over the estimated useful life of the asset.

Expenditure for repairs and maintenance is expensed as incurred. Expenditure for major renewals, betterments and additions are capitalized.

(m) *Leases*

Leases of property, plant and equipment that transfer substantially all of the benefits or risks and rewards of ownerships are classified as capital leases. The amount recorded is the lower of the present value of the rental and other lease payments during the lease term, excluding that portion of the payments representing executor costs paid to the lessor, or the asset's fair value. The rental obligations, net of interest charges, are shown as in obligation under capital lease.

Leases that do not transfer substantially all of the benefits or risks of ownership are classified as operating leases and recorded as expense on a straight line basis over the lease term, including leases that have rent holidays and / or escalating lease payments.

(n) *Impairment of long-lived assets*

Long-lived assets and finite life intangibles are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of assets may not be fully recoverable. Each impairment test is based on a comparison of the undiscounted cash flows expected to be generated from the use of the asset to its recorded value. If impairment is indicated the asset is written down to its fair value. Long-lived assets, to be disposed are reported at the lower of the carrying value or fair value less cost to sell.

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(o) *Employee benefit plan*

The Group participates in a retirement plan under Section 401(k) of the Internal Revenue Code ("Code") covering substantially all eligible employees. The plan allows for employees to defer up to 15% of their annual earnings (within limitations prescribed in the code) on a pre-tax basis through voluntary contributions to the plan. The plan provides that the group can make optional contributions in an amount up to the maximum allowable by Section 404 of the Code. The contributions by the Group are recognised as an expense as incurred.

(p) *Employee stock option scheme*

Employee Stock Options Schemes ("ESOSs") of RLL provides for the grant of stock options to eligible employees of the Group. The Group recognizes all employee stock based compensation as a cost in the consolidated financial statements. ESOSs are equity-classified awards and are measured at the grant date fair value of the award. The Group estimates grant date fair value using the Black Scholes option pricing model.

(q) *Income taxes*

Income taxes are accounted for using the asset and liability method. The current charge for income taxes is calculated in accordance with the relevant applicable tax regulations. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance of any tax benefits of which future realization is uncertain.

Uncertain tax positions are recognized and measured using the two step approach. The first step is to evaluate the tax position for recognition by determining, based on technical merits, that the position will be sustained upon examination. The second step is to measure the tax benefit as the largest amount of the tax benefit that is greater than 50% likely of being realized upon settlement. Interest and penalities related to unrecognized tax benefits is included income taxes expense/ benefits for the period.

(s) *Business combinations, goodwill and other intangibles*

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is reviewed for impairment at least annually. The Group has the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount prior to performing the two-step goodwill impairment test. If this is the case, the two-step goodwill impairment test is required. If it is more-likely-than-not that the fair value of a reporting is greater than its carrying amount, the two-step goodwill impairment test is not required.

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If the two-step goodwill impairment test is required, first, the fair value of the reporting unit is compared with its carrying amount (including goodwill). If the fair value of the reporting unit is less than its carrying amount, an indication of goodwill impairment exists for the reporting unit and the Group performs step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying amount, step two does not need to be performed.

As at the balance sheet date, the Group performed a qualitative assessment of goodwill and determined that it is not more likely than not that the fair values of its reporting units are less than the carrying amounts. Accordingly, no impairment loss was recorded.

Intangible assets are amortized over their respective individual estimated useful lives in proportion to the economic benefits consumed in each period. The estimated useful lives of the intangible assets are as follows:

Intangible assets description	**Useful life**
Trademarks	15 years
Licenses	5-15 years
Technical knowhow	15 years
Software	4 years

The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition and other economic factors (such as the stability of the industry, and known technological advances) and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

(t) *Stockholder's equity*

Holders of common stock are entitled to one vote per share, and to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to stockholders. The holders have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares.

1) CONTINGENCIES AND COMMITMENTS

a) The Group is involved in lawsuits, claims and proceedings, which arise in the ordinary course of business. While the amounts claimed may be substantial, the ultimate liability is not currently determinable because of considerable uncertainties that exist. Therefore, it is possible that results of operations or liquidity in a particular period could be materially affected by certain contingencies. However, based on facts currently available, management believes that the disposition of matters that are pending or asserted will not have a material adverse effect on the consolidated financial statements.

b) As of March 31, 2014 and December 31, 2012, the Group had committed to spend USD 3,956,169 [INR 236,896,347] and USD 9,174,536 [INR 501,340,765] respectively under agreements to purchase property, plant and equipment. This amount is net of capital advances paid in respect of these purchases.

c) Also refer to note 15 in relation to commitment towards non-cancellable leases.

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2) SETTLEMENT WITH US DOJ

During the current period, RLL Group has negotiated and settled with the Department of Justice of the USA (‘US DOJ’) for resolution of civil and criminal allegations on 13 May 2013 as per the decree of the court of Maryland. RLL had recorded a provision of USD 500,000,000 [INR 29,585,798] in the year ended 31 December 2011, to cover all civil and criminal liabilities. The settlement of this liability (along with related interest and other cost of USD 15,367,148 [INR 909, 298, 698] in compliance with the terms of settlement was subject to regulatory/statutory provisions. The above mentioned decreetal amount of liability has been paid by the US subsidiaries of RLL including Ranbaxy Pharmaceuticals Inc.('RPI'), USA, a limited risk distributor. Under the said agreement of distribution, RPI has invoked indemnity for itself and inter alia its affiliates. The total settlement amount of USD 515,367,148 [INR 30,495,097,515] (along with related interest and other cost of USD 15,367,148 [INR 909,298,698]) has been apportioned between RLL and its US subsidiaries. Accordingly, accounting adjustments arising from apportionment of the total settlement amount between RLL and its US subsidiaries, including the impact of apportionment on provision for taxation, have been carried out and therefore USD 26,100,000 [INR 1,544,378,698] was apportioned to the US subsidiaries and is included under selling, general and administration expenses in these consolidated financial statements. The remaining amount of USD 489,267,148 [INR 28,950,718,817] is included in due from related party in the consolidated financial statements and since this amount has been paid by the US subsidiaries on behalf of RLL, it has been presented as cash outflow from investing activities in the cash flow statement.

3) LEGAL SETTLEMENT

The Group had a litigation wherein the State of Louisiana (‘the State’) had alleged that several pharmaceutical manufacturers including the Group had over-inflated their prices for certain drugs with the effect of overpayment by the State in reimbursement for uninsured or underinsured individuals. Further, the State contended that the Group, along with other manufacturers, intentionally misreported certain pricing and/or sales information to reporting services. During the current period, the Group has entered into a settlement agreement with the State and has paid a sum of USD 5,000,000 [INR 295,857,988] (excluding USD 1,050,000 [INR 62,130,178] incurred as attorney fees and court costs). The above settlement amount along with related cost is included under selling, general and administration expenses in these consolidated financial statements.

4) IMPORT ALERT

The US FDA conducted an inspection at RLL's manufacturing facility located at Toansa, India in January 2014. Consequent to the findings of the inspection, on 23 January 2014, the US FDA invoked the Consent Decree prohibiting RLL from manufacturing and distributing active pharmaceutical ingredients (APIs) from its Toansa manufacturing facility and finished drug products containing APIs manufactured at this facility into the US regulated market.

Considering the above matter, provisions (primarily relating to inventories, trade commitments, etc.) amounting to USD 17,685,012 [INR 1,046,450,414] has been recognised in these financial statements. In calculating these provisions, the management has used the best information and estimates, presently available. Since the matter involves significant judgment and in view of the inherent uncertainty of the present situation, the actual amounts may differ eventually. Based on the underlying arrangement with RLL, the entire amount of the above provision has been charged-back to RLL.

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5) PRODUCT RECALL

On November 9, 2012, the Group had initiated a voluntary recall of Atorvastatin calcium tablets, solid oral dosage form, at the retail level. Accordingly management had recorded a provision for product recall amounting to USD 37,598,757 [INR 2,010,628,717]. Based on the underlying arrangements with RLL, the entire amount of the above provision had been charged-back to RLL.

During the current period, the Group has determined that out of the total provision as above, provision of USD 4,534,309 [INR 268,302,308] towards failure to supply/recall expenses is no longer required. Accordingly, this amount has been credited to RLL.

6) FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISK

The cash and cash equivalent balances (excluding fixed deposits) as of March 31, 2014 was principally held by one institution (previous year two) and are in excess of their respective Federal Deposit Insurance Corporation (‘FDIC’) insurance limits.

During the current period, the Group’s two largest customer accounts make up for 38% (previous year 44%) of the Group’s net revenues. Further, during the current period, no other individual customers accounted for more than 21% (previous year 12%) of the Group’s net revenues.

The Group is subject to a concentration of credit risk with respect to its accounts receivable balance, all of which is due from wholesalers, distributors, chain drug stores and service providers in the health care and pharmaceutical industries throughout the U.S. As at 31 March 2014, approximately 58% (previous year 77%) of the net accounts receivable balance consists of amounts due from the three largest customers. The Group performs ongoing credit evaluations of customers and maintains an allowance for potential uncollectible accounts. Actual losses from uncollectible accounts have been minimal.

Certain of the Group’s finished products and raw materials were obtained from single source supplier i.e. RLL. Accordingly, the events, as explained in note 5 above, have had an adverse effect on the Group’s result of operations, financial condition and cash flows. While RLL is taking all the necessary steps to resolve the above matter to the satisfaction of the concerned authorities, the Group continues to identify alternate sources of supply for the USA market. During the current period, net revenue from sale of third party manufactured products (excluding RLL) accounted for approximately 53% (previous year 15%) of the net revenues. During the current period, no single third-party vendor (excluding RLL) accounted for more than 30% (previous year 30%) of the total product purchases.

(All amount in United States dollars, unless otherwise stated)

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7) TRADE ACCOUNTS RECEIVABLE, NET

Accounts receivable comprise the following:

	As at March 31, 2014	As at December 31, 2012
Accounts receivable, gross	98,240,966	108,896,567
Accruals:		
-Cash discount	2,491,831	3,146,706
-Direct and indirect rebates (including administrative fees, service fees and related allowances, etc.)	4,937,808	12,651,508
-Chargeback accruals	13,648,243	13,578,630
-Other accruals	6,103,550	19,681,685
	27,181,432	49,058,529
Accounts receivable, net	**71,059,534**	**59,838,038**

Amounts in INR

	As at March 31, 2014	As at December 31, 2012
Accounts receivable, gross	5,882,692,575	5,950,632,102
Accruals:		
-Cash discount	149,211,437	171,951,131
-Direct and indirect rebates (including administrative fees, service fees and related allowances, etc.)	295,677,126	691,339,235
-Chargeback accruals	817,260,060	742,001,664
-Other accruals	365,482,036	1,075,501,928
	1,627,630,659	2,680,793,959
Accounts receivable, net	**4,255,061,916**	**3,269,838,143**

8) INVENTORIES , NET

Inventories comprise the following:

	As at March 31, 2014	As at December 31, 2012
Raw materials	15,277,375	14,033,290
Packing materials	2,857,557	2,855,934
Stores and spares	1,836,638	1,574,678

(All amount in United States dollars, unless otherwise stated)

Work-in-process	15,271,116	11,400,696
Finished goods	37,820,910	27,128,755
Inventory, net	**73,063,596**	**56,993,353**

Inventories comprise the following:

	Amounts in INR	
	As at March 31, 2014	**As at December 31, 2012**
Raw materials	914,812,874	766,846,448
Packing materials	171,111,198	156,061,967
Stores and spares	109,978,323	80,047,978
Work-in-process	914,438,144	622,988,852
Finished goods	2,264,725,210	1,482,445,628
Inventory, net	**4,375,065,749**	**3,114,390,874**

As of March 31, 2014 and December 31, 2012, the reserve balance for the fall in the market value/ write-off of slow-moving and obsolete inventory was USD 34,429,778 [INR 2,037,264,970] and USD 28,492,702 [INR 1,523,673,904] respectively.

9) OTHER CURRENT ASSETS

Other current assets comprises the following:

	As at March 31, 2014	**As at December 31, 2012**
Prepaid expenses	4,152,699	3,272,508
Advance to suppliers	876,339	1,278,121
Other receivables	105,070	745,708
Total other current assets	**5,134,108**	**5,296,337**

	Amounts in INR	
	As at March 31, 2014	**As at December 31, 2012**
Prepaid expenses	248,664,611	178,825,574
Advance to suppliers	52,475,389	69,842,664
Other receivables	6,287,975	40,749,083
Total other current assets	**307,427,975**	**289,417,321**

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(All amount in United States dollars, unless otherwise stated)

10) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises the following:

	As at March 31, 2014		
	Gross carrying amount	Accumulated depreciation and impairment	Net book value
Land	1,583,500	-	1,583,500
Building	71,254,944	13,160,029	58,094,915
Capital leased assets (Refer below for breakup)	12,787,518	11,353,993	1,433,525
Plant and machinery	75,695,125	47,783,097	27,912,028
Computers	6,156,875	4,503,432	1,653,443
Office equipment	623,951	494,800	129,151
Furniture and fixtures	3,157,721	2,479,813	677,908
Capital work in progress (including capital advances)	6,432,656		6,432,656
Total property, plant and equipment, net	**177,692,290**	**79,775,164**	**97,917,126**

	As at December 31, 2012		
	Gross carrying amount	Accumulated depreciation and impairment	Net book value
Land	1,583,500	-	1,583,500
Building	58,327,565	11,052,771	47,274,794
Capital leased assets (Refer below for breakup)	12,795,379	9,849,298	2,946,081
Plant and machinery	67,475,588	40,571,076	26,904,512
Computers	5,625,107	3,463,474	2,161,633
Office equipment	728,632	558,563	170,069
Furniture and fixtures	2,881,811	2,281,891	599,920
Capital work in progress (including capital advances)	6,838,073		6,838,073
Total property, plant and equipment, net	**156,255,655**	**67,777,073**	**88,478,582**

(All amount in United States dollars, unless otherwise stated)

Amounts in INR

As at March 31, 2014

	Gross carrying amount	Accumulated depreciation and impairment	Net book value
Land	94,820,359	-	94,820,359
Building	4,266,763,114	788,025,689	3,478,737,425
Capital leased assets (Refer below for breakup)	765,719,641	679,879,820	85,839,820
Plant and machinery	4,532,642,216	2,861,263,293	1,671,378,922
Computers	368,675,150	269,666,587	99,008,563
Office equipment	37,362,335	29,628,743	7,733,593
Furniture and fixtures	189,085,090	148,491,796	40,593,293
Capital work in progress (including capital advances)	385,188,982		385,188,982
Total property, plant and equipment, net	**10,640,256,886**	**4,776,955,928**	**5,863,300,958**

As at December 31, 2012

	Gross carrying amount	Accumulated depreciation and impairment	Net book value
Land	86,530,055	-	86,530,055
Building	3,187,298,634	603,976,557	2,583,322,077
Capital leased assets (Refer below for breakup)	699,201,038	538,213,005	160,988,033
Plant and machinery	3,687,190,601	2,216,998,689	1,470,191,913
Computers	307,382,896	189,260,874	118,122,022
Office equipment	39,815,956	30,522,568	9,293,388
Furniture and fixtures	154,476,011	124,693,497	32,782,514
Capital work in progress (including capital advances)	373,665,191		373,665,191
Total property, plant and equipment, net	**8,538,560,383**	**3,703,665,191**	**4,834,895,191**

Capital work in progress primarily comprises expansion of the Group's manufacturing activities and includes building, machinery and equipment which have not been completed and put to use as of the end of the period.

Depreciation expense is USD 13,379,895 [INR 791,709,763] and USD 10,917,227 [INR 583,808,930] for the period ended March 31, 2014 and December 31, 2012, respectively.

(All amount in United States dollars, unless otherwise stated)

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During the current period, assets with cost of USD 1,410,486 [INR 83,460,710] (previous year USD 1,639,485 [INR 87,672,995]) and accumulated depreciation of USD 1,381,804 [INR 81,763,550] (previous year USD 1,584,704 [INR 84,743,529]) were written off. Further, during the previous year, certain assets which were fully written off were sold for a total realization of USD 163,000 [INR 9,644,970] thereby recognizing a gain of USD 163,000 [INR 9,644,970].

As of March 31, 2014 and December 31, 2012 capital advances were USD 2,014,721[INR 120,641,976] and USD 2,821,684 [INR 154,190,383] respectively.

Property, plant and equipment include assets held under capital lease, which comprises:

	As at March 31, 2014	**As at December 31, 2012**
Building	12,426,417	12,441,082
Equipment	232,930	226,126
Computers	128,171	128,171
	12,787,518	12,795,379
Accumulated depreciation and impairment	(11,353,993)	(9,849,298)
Total tangible assets under lease, net	**1,433,525**	**2,946,081**

	Amounts in INR	
	As at March 31, 2014	**As at December 31, 2012**
Building	744,096,826	679,840,546
Equipment	13,947,904	12,356,612
Computers	7,674,910	7,003,880
	765,719,641	699,201,038
Accumulated depreciation and impairment	(679,879,820)	(538,213,005)
Total tangible assets under lease, net	**851,559,461**	**860,189,071**

11) GOODWILL

Goodwill balance as at March 31, 2014 and December 31, 2012, amounting to USD 7,826,846 [INR 468,673,413] respectively is allocated to various reporting units of the Group. Accordingly, USD 412,545 [INR 24,703,293] (previous year USD 412,545 [INR 22,543,443]) was allocated to Ranbaxy Pharmaceuticals Inc. and USD 7,414,301 [INR 443,970,120] (previous year 7,414,301 [INR 405,153,060]) was allocated to Ohm Laboratories Inc.

As at the balance sheet date, the Group performed a qualitative assessment of goodwill and determined that it is not more likely than not that the fair values of its reporting units are less than the carrying amounts. Accordingly, no impairment loss was recorded.

(All amount in United States dollars, unless otherwise stated)

12) INTANGIBLE ASSETS

Information regarding the Group's intangible assets acquired either individually, with a group of other assets or in a business combination is as follows:

	As at March 31, 2014		
	Gross carrying amount	Accumulated amortization and impairment	Net book value
Trademarks	13,834,232	10,194,027	3,640,205
Technical knowhow	17,161,256	7,817,907	9,343,349
Licenses	23,028,457	3,806,553	19,221,904
Software	5,004,876	3,656,044	1,348,832
Total intangible assets	**59,028,821**	**25,474,531**	**33,554,290**

	As at December 31, 2012		
	Gross carrying amount	Accumulated amortization and impairment	Net book value
Trademarks	13,834,231	9,261,101	4,573,130
Technical knowhow	17,161,256	6,387,802	10,773,454
Licenses	12,028,457	1,652,258	10,376,199
Software	4,851,137	3,453,727	1,397,410
Total intangible assets	**47,875,081**	**20,754,888**	**27,120,193**

Amounts In INR

	As at March 31, 2014		
	Gross carrying amount	Accumulated amortization and impairment	Net book value
Trademarks	828,397,126	610,420,778	217,976,347
Technical knowhow	1,027,620,120	468,138,144	559,481,976
Licenses	1,378,949,521	227,937,305	1,151,012,216
Software	299,693,174	218,924,790	80,768,383
Total intangible assets	**3,534,659,940**	**1,525,421,018**	**2,009,238,922**

	As at December 31, 2012		
	Gross carrying	Accumulated	Net book

	amount	amortization and impairment	value
Trademarks	755,968,907	501,071,093	249,897,814
Technical knowhow	937,773,552	349,060,219	588,713,333
Licenses	657,292,732	90,287,322	567,005,410
Software	265,089,454	188,728,251	76,361,202
Total intangible assets	**2,616,124,645**	**1,134,146,885**	**1,481,977,760**

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During the previous year, the Group had acquired exclusive license and distribution rights (‘license’) to sell branded product Absorica for a total consideration of USD 9,000,000 [INR 532,544,379]. This license is being amortized over a period of 10 years. During the current period, the Group has paid an additional amount of USD 10,000,000 [INR 591,715,976] as milestone payment which has also been capitalized and is being amortized over the remaining life of the intangible. In addition, during the current period, the Group also acquired exclusive license and distribution rights (‘license’) to sell product Desvenlafaxine for a total consideration of USD 1,000,000 [INR 59,171,598]. This license is being amortized over a period of 5 years.

Amortization expense for intangibles is USD 5,272,513 [INR 311,983,018] and USD 3,165,815 [INR 172,995,355] for the period ended March 31, 2014 and December 31, 2012. No impairment charge was recorded by the Group. During the current period, certain fully amortized intangible assets being computer softwares amounting to USD 552,870 [INR 32,714,201] (previous year USD 5,029,825 [INR 274,853,825] being computer softwares and a license) have been derecognized from gross carrying amount and accumulated amortization and impairment.

The estimated amortization schedule for the intangible assets is set out below:

Year ending March 31,	Amount
2015	4,957,930
2016	4,443,244
2017	4,219,009
2018	4,083,908
2019	3,803,178
2020 and thereafter	12,047,021
	33,554,290

	Amounts in INR
2015	296,882,036
2016	266,062,515
2017	252,635,269
2018	244,545,389
2019	227,735,210
2020 and thereafter	721,378,503
	2,009,238,922

(All amount in United States dollars, unless otherwise stated)

Year ending December 31	Amount
2013	3,533,844
2014	3,433,750
2015	3,037,989
2016	2,734,594
2017	2,676,839
2018 and thereafter	11,703,177
	27,120,193

	Amounts in INR
2013	193,106,230
2014	187,636,612
2015	166,010,328
2016	149,431,366
2017	146,275,355
2018 and thereafter	639,517,869
	1,481,977,760

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13) ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities comprise of the following:

	As at March 31, 2014	**As at December 31, 2012**
Accrued expenses	31,493,578	38,052,511
Medicaid rebates	6,543,458	6,396,171
Employee related liabilities	9,754,701	7,465,355
Advances from customers	958,148	4,680,570
Book overdraft	3,691,080	1,042,075
Failure to supply provision*	5,582,026	10,927,821
Other current liabilities	1,901,196	1,853,206
Total accrued expenses and other current liabilities	**59,924,187**	**70,417,709**

	Amounts in INR	
	As at March 31, 2014	**As at December 31, 2012**
Accrued expenses	1,885,842,994	2,079,372,186
Medicaid rebates	391,823,832	349,517,541
Employee related liabilities	584,113,832	407,942,896
Advances from customers	57,374,132	255,768,852
Book overdraft	221,022,754	56,943,989
Failure to supply provision*	334,253,054	597,148,689
Other current liabilities	113,844,072	101,268,087
Total accrued expenses and other current liabilities	**3,588,274,671**	**3,847,962,240**

(All amount in United States dollars, unless otherwise stated)

*Current period represents provision for failure to supply (trade commitments) expected to be incurred on account of import alert on Toansa (refer to note 5). Previous year amount represents provision for failure to supply (trade commitments) expected to be incurred on account of voluntary recall of Atorvastatin calcium tablets. Such provisions are based on the best estimates of the management based on certain relevant factors including prevailing prices for alternate supply of these products.

Medicaid rebates principally comprises amounts due under U.S. Government pricing programs such as Medicaid, Medicare and Tricare (Department of Veteran Affairs). These rebates have been made as per the stipulated regulations and prescribed guidelines which consider the calculation of the average manufacturers' price.

The activity in the sales returns is given below:

Particulars	**As at March 31, 2014**	**As at December 31, 2012**
Balance at the beginning of the period	12,263,143	11,231,685
Less: Provision utilized during the period	(14,047,949)	(9,916,658)
Add: Provision made during the period	14,865,645	10,948,116
Balance at the end of the period	**13,080,839**	**12,263,143**

Amounts in INR

Particulars	**As at March 31, 2014**	**As at December 31, 2012**
Balance at the beginning of the period	734,319,940	613,753,279
Less: Provision utilized during the period	(841,194,551)	(541,893,880)
Add: Provision made during the period	890,158,383	598,257,705
Balance at the end of the period	**783,283,772**	**670,117,104**

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14) LEASES

Capital lease obligation

The Group has taken building and certain items of plant and equipment on leases which initially expire through 2017 with various purchase options thereafter. These arrangements are recorded as capital lease transactions. The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of net minimum lease payments:

Year ended March 31,	Amount (USD)	Amounts (INR)
2015	1,961,870	117,477,246
2016	356,040	21,319,760
2017	13,875	830,838
2018	3,681	220,419
2019 and thereafter		

	-	
Total minimum lease payments	2,335,467	139,848,323
Less: amount representing interest	118,650	7,104,790
Present value of net minimum lease payments	**2,216,817**	**132,743,533**
	1,849,691	110,759,940
Current portion		
Non-current portion	367,126	21,983,593
Total		
	2,216,817	**132,743,533**

Year ended December 31,	Amount	
2013	1,912,57	104,512,13
104 2014	1,951,71	106,650,98
2015	840,76	45,943,38
2016	13,71	749,45
2017 and thereafter	5,54	303,06
Total minimum lease payments	4,724,31	258,159,01
Less: amount representing interest	455,97	24,916,88
Present value of net minimum lease payments	**4,268,33**	**233,242,13**
Current portion	1,625,0	88,800,5
Non-current portion	2,643,28	144,441,58
Present value of net minimum lease payments	**4,268,33**	**233,242,13**

The Group has taken office facilities under non-cancelable operating lease agreements with a lease term of 3 to 6 years renewable at option of the lessor. During the current period, the rental expense under these leases is USD 1,982,564 [INR 117,311,479] (previous year USD 1,526,385 [INR 81,624,866]). Future minimum lease payments for such non-cancelable operating leases are as follows:

Years ending March 31,	Amount (USD)	Amount (INR)
2015	1,276,326	76,426,70
2016	1,206,671	72,255,74
2017	968,023	57,965,44
2018	5,025	300,89
2019	1,025	61,37
	3,457,070	**207,010,18**

Years ending December 31,	Amounts (USD)	Amounts (INR)
2013	1,161,999	63,497,213
2014	993,528	54,291,148
2015	871,663	47,631,858
2016	880,008	48,087,869
2017	224,801	12,284,208
Total minimum lease payments	**4,131,999**	**225,792,295**

15) DEPRECIATION AND AMORTIZATION

The Group's underlying accounting records do not contain an allocation of depreciation and amortization between 'cost of goods sold', 'selling, general and administration expenses' and 'research and development charges'. As such, the charge for depreciation and amortization amounting to USD 18,652,408 [INR

(All amount in United States dollars, unless otherwise stated)

1,103,692,781] (previous year USD 14,083,042 [INR 753,103,850]) has been presented as a separate line item on the face of the consolidated statement of income and retained earnings.

16) RESEARCH AND DEVELOPMENT

During the current period, research and development expenses exclusive of depreciation and amortization amounted to USD 22,811,501 [INR 1,349,792,959] (previous year USD 10,324,724 [INR 552,124,278]).

17) INCOME TAXES

The provision for income tax expense (benefit) is as follows:

	Fifteen months ended March 31, 2014	Year ended December 31, 2012
Federal		
Current	43,431,506	42,736,902
Deferred	(5,605,944)	(397,614)
State		
Current	489,069	1,613,562
Deferred	843,877	961,815
	1,332,946	2,575,377
Tax expense, net	**39,158,508**	**44,914,665**

Particulars	Fifteen months ended March 31, 2014		Year ended December 31, 2012	
	Amount	**Rate**	**Amount**	**Rate**
Federal taxes	34,784,106	35.00%	47,627,758	35.00%
State income taxes	1,043,523	1.05%	1,714,968	1.26%
Federal R&D credit true up	(536,608)	(0.54)%	173,092	0.13%
Increase in FIN 48 Reserve	243	0%	54,751	0.04%
Decrease in valuation allowance	(181,859)	(0.18)%	(95,718)	(0.07)%
Permanent items	4,049,103	4.07%	(4,560,186)	(3.35)%
Total tax expense, net	**39,158,508**	**39.40%**	**44,914,665**	**33.01%**

	Amounts in INR	
	Fifteen months ended March 31, 2014	Year ended December 31, 2012
Federal		
Current	2,569,911,598	2,285,395,829
Deferred	(331,712,663)	(21,262,781)
State		
Current	28,938,994	86,286,738
Deferred	49,933,550	51,433,957

(All amount in United States dollars, unless otherwise stated)

	78,872,544	137,720,695
Tax expense, net	**2,317,071,479**	**2,401,853,743**

Particulars	**Fifteen months ended March 31, 2014**		**Year ended December 31, 2012**	
	Amount	**Rate**	**Amount**	**Rate**
Federal taxes	2,058,231,124	35.00%	2,546,938,930	35.00%
State income taxes	61,746,923	1.05%	91,709,519	1.26%
Federal R&D credit true up	(31,751,953)	(0.54)%	9,256,257	0.13%
Increase in FIN 48 Reserve	14,379	0%	2,927,861	0.04%
Decrease in valuation allowance	(10,760,888)	(0.18)%	(5,118,610)	(0.07)%
Permanent items	239,591,893	4.07%	(243,860,214)	(3.35)%
Total tax expense, net	**2,317,071,479**	**39.40%**	**2,401,853,743**	**33.01%**

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The following is a summary of items giving rise to deferred tax benefits/ (liabilities) as at March 31, 2014 and December 31, 2012:

Current	**As at March 31, 2014**	**As at December 31, 2012**
Allowances for receivables	4,659,880	4,474,112
Inventory capitalization	270,239	322,504
Accrued expenses and deferred compensation	4,746,298	5,073,127
Inventory obsolescence reserve	1,881,689	1,087,364
	11,558,105	**10,957,107**
Non current		
Basis of goodwill	(1,400,648)	(981,911)
Deferred revenue and miscellaneous	162,405	(85,739)
Basis of fixed assets	544,956	(3,631,725)
Valuation allowances	-	(807,673)
Net operating loss carry forward	-	652,692
	(693,287)	**(4,854,356)**
Net Deferred tax Assets	**10,864,818**	**6,102,751**
Income taxes payable	**9,982,725**	**12,559,681**

Amounts in INR

Current	**As at March 31, 2014**	**As at December 31, 2012**
Allowances for receivables	279,034,731	244,486,995

(All amount in United States dollars, unless otherwise stated)

Inventory capitalization	16,181,976	17,263,169
Accrued expenses and deferred compensation	284,209,461	277,220,055
Inventory obsolescence reserve	112,675,988	59,418,798
	692,102,096	**598,749,016**
Non current		
Basis of goodwill	(83,871,138)	(53,656,339)
Deferred revenue and miscellaneous	9,724,850	(4,685,191)
Basis of fixed assets	32,632,096	(198,454,918)
Valuation allowances	-	(44,135,137)
Net operating loss carry forward	-	35,666,230
	(41,514,192)	**(265,265,355)**
Net Deferred tax Assets	**650,587,904**	**333,483,661**
Income taxes payable	**597,767,964**	**688,321,366**

The Group is subject to U.S. Federal income tax as well as income tax in multiple state jurisdictions.

During the period ended March 31, 2014, the Internal Revenue Service Center has concluded their audit for the 2011 tax year, and no additional assessment was made.

Further, The New Jersey Department of Taxation concluded their audit for the 2005 to 2012 tax years of Ranbaxy Inc. which resulted in a creditable assessment of USD 10,000 [INR 591,716]. During the same period, the New York State also concluded their audit for the 2009 to 2011 tax years with no additional assessment. As at 31 March 2014, the FIN-48 reserve amounted to USD 280,080 [INR 16,572,781] (previous year USD 280,453 [INR 14,997,487]).

One of the subsidiaries is currently under examination by the New Jersey Department of Finance for the 2009 to 2011 tax years. This examination is at the initial stage and is expected to be completed within next 12 months.

18) RELATED PARTY TRANSACTIONS

The ultimate holding company of the Group is Daiichi Sankyo Company Limited, Japan and the immediate holding company is Ranbaxy (Holdings) U.K. Limited. The Group did not have any transactions with any of these companies during the current period and previous year.

The Group has entered into transactions with the following related parties:
a) Ranbaxy Laboratories Limited (‘Intermediate holding company’)
b) Ranbaxy Netherlands B.V. (‘RNBV’) (‘Intermediate holding company’)
c) Ranbaxy Pharmaceuticals Canada Inc. (‘RPCI’) (‘fellow subsidiary’)
d) Daiichi Sankyo, Inc., USA (‘fellow subsidiary’)

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(All amount in United States dollars, unless otherwise stated)

The related party transactions are categorized as follows:

Particulars	**Fifteen months ended March 31, 2014**	**Year ended December 31, 2012**
Transactions with RLL		
Settlement amount with US DOJ (including related interest and other costs) recoverable	489,267,148	-
Purchase of goods	72,634,208	201,120,674
Royalty charges paid	4,318,296	3,378,043
Product recall expenses recovered	-	37,598,757
Reversal of product recall provision credited back	4,534,309	-
Business support and market research income	10,580,231	7,911,843
Income from exhibit batches manufactured	5,214,950	1,959,773
Recharge of information technology (‘IT’) related cost	54,781	21,942
Claims towards inventory provision/ write off and other costs recovered	17,685,012	-
Supplier advance given	-	42,000,000
Supplier advance received back	28,654,613	-
Other reimbursements	-	841,430
Transactions with RPCI		
Management fees income	1,851,225	864,370
Sale of goods	6,646,189	3,982,556
Branded prescription drug fee paid	2,028,791	148,200
Transactions with RNBV		
Loan given	40,000,000	10,000,000
Interest income on loan given	33,463	44,728
Loan received back	-	10,000,000
Loan taken	358,400,000	-
Insurance charges reimbursable	213,914	-

Balances due to/ from the related parties are summarized as follows:

	As at March 31, 2014	**As at December 31, 2012**
Due to related parties		
Amount payable to RLL (including royalty)	46,072,613	12,800,243
Amount payable to RNBV	358,613,914	-
Amount payable to Daiichi Sankyo, Inc. (including royalty and brand prescription fees)	2,423,450	-
Total	**407,109,977**	**12,800,243**

(All amount in United States dollars, unless otherwise stated)

	As at March 31, 2014	As at December 31, 2012
Due from related parties		
Amount receivable from RLL	528,001,194	77,962,569
Amount receivable from RNBV+	40,033,463	-
Amount receivable from RPCI	5,446,428	606,248
Total	**573,481,085**	**78,568,817**

Amounts in INR

Particulars	**Fifteen months ended March 31, 2014**	**Year ended December 31, 2012**
Transactions with RLL		
Settlement amount with US DOJ (including related interest and other costs) recoverable	28,950,718	-
Purchase of goods	4,297,882,130	10,755,116,257
Royalty charges paid	255,520,473	180,644,011
Product recall expenses recovered	-	2,010,628,717
Reversal of product recall provision credited back	268,302,308	-
Business support and market research income	626,049,172	423,093,209
Income from exhibit batches manufactured	308,576,923	104,800,695
Recharge of information technology (‘IT’) related cost	3,241,479	1,173,369
Claims towards inventory provision/ write off and other costs recovered	1,046,450,414	-
Supplier advance given	-	2,245,989,305
Supplier advance received back	1,695,539,231	-
Other reimbursements	-	44,996,257
Transactions with RPCI		
Management fees income	109,539,941	46,222,995
Sale of goods	393,265,621	212,970,909
Branded prescription drug fee paid	120,046,805	7,925,134
Transactions with RNBV		
Loan given	2,366,863,905	534,759,358
Interest income on loan given	1,980,059	2,391,872
Loan received back	-	534,759,358
Loan taken	21,207,100,592	-
Insurance charges reimbursable	12,657,633	-

(All amount in United States dollars, unless otherwise stated)

Balances due to/ from the related parties are summarized as follows:	As at March 31, 2014	As at December 31, 2012
Due to related parties		
Amount payable to RLL (including royalty)	2,758,839,102	699,466,831
Amount payable to RNBV	21,473,887,066	-
Amount payable to Daiichi Sankyo, Inc. (including royalty and brand prescription fees)	145,116,766	-
Total	**24,377,842,934**	**699,466,831**
Due from related parties		
Amount receivable from RLL	31,616,837,964	4,260,249,672
Amount receivable from RNBV+	2,397,213,353	-
Amount receivable from RPCI	326,133,413	33,128,306
Total	**34,340,184,731**	**4,293,377,978**

+Includes interest receivable from RNBV of USD 33,463 [INR 1,980,059] (previous year USD Nil).

19) SELLING, GENERAL AND ADMINISTRATION EXPENSES

Selling, general and administration expenses includes following:

	March 31, 2014	December 31, 2012
Personnel expenses	29,088,775	21,428,825
Advertising, marketing and sales promotion	42,169,831	23,939,327
Settlement with DOJ (Refer to note 3)	26,100,000	-
Legal, professional and regulatory charges	21,908,536	7,092,611
Freight, clearing and forwarding	6,231,509	4,960,626
Legal settlement (Refer to note 4)	6,050,000	1,300,000
Other selling, general and administrative expenses	22,300,784	17,259,500
	153,849,425	**75,980,889**

20) ROYALTY / PROFIT SHARE AGREEMENTS

The Group has entered into several distribution/ profit share arrangements wherein a specified percentage of the profit earned is paid by the Group to third party as royalty/ profit share expense. During the current period, the total amount of royalty/profit share expense was USD 90,500,761 (previous year

(All amount in United States dollars, unless otherwise stated)

USD 70,602,023). Of the above amount USD 88,594,479 (previous year USD 70,542,905) has been included under Cost of goods sold and USD 1,906,282 (previous year USD 59,118) has been included under selling, general and administrative expenses.

21) SHARE BASED COMPENSATION

RLLs' Employee Stock Option Schemes ('ESOSs') provide for the grant of stock options to eligible employees and Directors of RLL and its subsidiaries. The ESOSs are administered by the Compensation Committee ('Committee') of the Board of Directors of RLL. Options are granted at the discretion of the committee to selected employees depending upon certain criterion. As at 31 March 2014, there were four ESOSs, namely, 'ESOS I', 'ESOS II', 'ESOS 2005' and 'ESOP 2011'. The ESOSs limits the maximum grant of options to an employee at 25,000 for ESOS I, 40,000 for ESOS II and 300,000 for ESOS 2005 in any given year. ESOS I and II provide that the grant price of options is to be determined at the average of the daily closing price of RLL's equity shares on the National Stock Exchange ('NSE') during a period of 26 weeks preceding the date of the grant.

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ESOS 2005 provides that the grant price of options will be the latest available closing price on the stock exchange on which the shares of RLL are listed, prior to the date of the meeting of the Committee in which the options are granted. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered.

The options vest evenly over a period of five years from the date of grant. Options lapse, if they are not exercised prior to the expiry date, which is ten years from the date of grant.

During the year ended 31 December 2011, RLL had introduced a new ESOS scheme namely Ranbaxy Employees Stock Option Plan 2011 'ESOP - 2011' with effect from 1 July 2011. This scheme limits the maximum grant of options to an employee or a director at 30,000 in any given year. ESOP 2011 provides that the grant price will be the face value of the equity share. The options vest evenly over a period of three years from the date of grant. Options lapse, if they are not exercised prior to the expiry date, which is three months from the date of the vesting. RLL has formed Ranbaxy ESOP Trust ('Trust') to administer ESOP - 2011 scheme. RLL will issue shares to the Trust which will allocate the shares to the respective employees upon exercise of stock options from time to time under ESOP - 2011.

As the number of shares that an individual employee is entitled to receive and the prices of the options are known on the grant date, the grants made pursuant to the ESOSs are considered fixed grants.

	Period ended March 31, 2014			
Particulars	**Stock options (Numbers)**	**Weighted average exercise price**	**Weighted average remaining contractual life (Years)**	**Aggregate intrinsic value**
Outstanding at the beginning of the period	882,730	6.42 [INR 384.43]	3.34	3,778,362 [INR 226,249,222]
Granted during the period	89,355	0.08	1.81	707,942

(All amount in United States dollars, unless otherwise stated)

		[INR 4.79]		[INR 42,391,737]
Forfeited and lapsed during the period	(254,106)	6.57 [INR 393.41]	-	-
Exercised during the period	(82,664)	0.89 [INR 53.29]	-	-
Outstanding, end of the period	635,315	5.50 [INR 329.34]	2.97	2,614,685 [INR 156,567,964]
Exercisable at the end of the period	518,271	6.40 [INR 383.23]	3.18	1,742,640 [INR 104,349,701]

Year ended
December 31, 2012

Particulars	**Stock options (Numbers)**	**Weighted average exercise price**	**Weighted average remaining contractual life (Years)**	**Aggregate intrinsic value**
Outstanding at the beginning of the year	1,015,012	7.15 [INR 390.71]	3.28	4,085,442 [INR 223,248,197]
Granted during the year	95,895	0.09 [INR 4.92]	1.49	806,918 [INR 44,093,880]
Forfeited and lapsed during the year	(193,794)	7.34 [INR 401.09]	-	-
Exercised during the year	(34,383)	2.16	-	-

(All amount in United States dollars, unless otherwise stated)

Outstanding, end of the year	882,730	6.42 [INR 350.82]	3.34	3,778,362 [INR 206,467,869]
Exercisable at the end of the year	613,206	7.59 [INR 414.75]	3.16	2,277,639 [INR 124,461,148]

The following table summarizes information about stock options outstanding:

As at March 31, 2014

	Options outstanding			**Options exercisable**		
Range of exercise prices	**Number of outstanding optio**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number of outstanding options**	**Weighted average exercise pric**	**Weighted average remaining contractual life**
	(Numbers)	**(Years)**		**(Numbers)**		**(Years)**
Up to 4.83	218,496	2.54	1.40 [INR 83.83]	125,835	2.50 [INR 149.70]	3.69
4.84 - 7.53	297,119	4.16	7.09 [INR 424.55]	272,736	7.05 [INR 422.16]	4.00
7.54 -9.01	119,700	0.79	9.01 [INR 539.52]	119,700	9.01 [INR 539.52]	0.79
	635,315			**518,271**		

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As at December 31, 2012

	Options outstanding			**Options exercisable**		
Range of exercise prices	**Number of outstanding options**	**Weighted average exercise price**	**Weighted average remaining contractual**	**Number of outstanding options**	**Weighted average exercise price**	**Weighted average remaining contractual**

			life			life
	(Numbers)	(Years)	(Years)	(Numbers)	(Years)	(Years)
Up to 4.83	255,130	3.59	1.68	86,975	2.68	4.57
4.84 - 7.53	151,825	3.80	6.89	134,490	6.82	3.55
7.54 - 9.79	475,775	3.60	8.81	391,741	8.94	2.84
	882,730			**613,206**		

The weighted average grant date fair value of the options granted during period ended 31 March 2014 and year ended 31 December 2012 was 0.08 and 0.09 respectively.

The following is a summary of the changes in non-vested shares:

Period ended March 31, 2014

Particulars	**Shares (Numbers)**	**Weighted-average exercise price**	**Weighted-average Grant date fair value**
Non-vested shares at January 1, 2013	299,216	3.42	9.26
Granted during the period	89,355	0.08	8.01
Vested during the period	(226,743)	3.04	8.29
Forfeited during the period	(39,379)	1.89	8.58
Non-vested shares at March 31, 2014	122,449	1.55	8.80

Particulars	**Shares (Numbers)**	**Amounts in INR Weighted-average exercise price**	**Weighted-average Grant date fair value**
Non-vested shares at January 1, 2013	299,216	204.79	554.49
Granted during the period	89,355	4.79	479.64
Vested during the period	(226,743)	182.04	496.41
Forfeited during the period	(39,379)	113.17	513.77
Non-vested shares at March 31, 2014	122,449	92.81	526.95

Year ended December 31, 2012

Particulars	**Shares (Numbers)**	**Weighted-average exercise price**	**Weighted-average Grant date fair value**
Non-vested shares at January 1, 2012	337,988	5.11	9.25
Granted during the year	95,895	0.09	8.57
Vested during the year	(121,195)	5.09	9.56
Forfeited during the year	(13,472)	3.53	9.65
Non-vested shares at December 31, 2012	299,216	3.42	9.26

(All amount in United States dollars, unless otherwise stated)

			Amounts in INR
Particulars	**Shares (Numbers)**	**Weighted-average exercise price**	**Weighted-average Grant date fair value**
Non-vested shares at January 1, 2012	337,988	279.23	505.46
Granted during the year	95,895	4.92	468.31
Vested during the year	(121,195)	278.14	522.40
Forfeited during the year	(13,472)	192.90	527.32
Non-vested shares at December 31, 2012	299,216	186.89	506.01

Pursuant to the issue of bonus shares on October 11, 2002, the employees to whom options were granted until October 3, 2002 are entitled to additional shares on exercise of options in the ratio of 'three for five.'

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The fair value of instruments issued under the share-based compensation plans is calculated using a Black-Scholes model. The following table summarizes the assumptions used in calculating the grant date fair value for instruments granted in the period ended March 31, 2014 and December 31, 2

	Period end March 31, 2014	**Year ended December 31, 2012**
Grant Date	January 20, 2013	January 21, 2012
Dividend yield	0.41%	0.42%
Expected life of options from the date(s) of grant	1.25, 2.25 and 3.25 years	1.25, 2.25 and 3.25 years
Risk free interest rate	7.73% (1.25 yrs), 7.76% (2.25 yrs) and 7.79% (3.25 yrs)	8.18% (1.25 yrs), 8.11% (2.25 yrs) and 8.08% (3.25 yrs)
Volatility	44.83%	45.80%

The Black-Scholes option-pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since options pricing models require use of subjective assumptions, changes therein can materially affect fair value of the options. The options pricing models do not necessarily provide a reliable measure of fair value of the options.

The Group has recorded stock option expense of USD 500,324 [INR 29,604,970] along with tax benefit of USD Nil (previous year USD 716,400 [INR 38,310,160] along with tax benefit of USD 7,816 [INR 417,968]) with a corresponding credit to the additional paid in capital.

22) EMPLOYEE BENEFIT PLAN

The Group's contribution towards employee benefit plan is USD 1,726,881 (previous year USD 1,287,576).

23) NON-CONTROLLING INTEREST

During the current period, income of USD 566,542 [INR 33,924,671] (previous year USD Nil) is attributable to the non-controlling interest held by Signature Pharmaceuticals Inc. in one of the subsidiaries of the Group.

24) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include USD Nil (previous year USD 125,374,071 [INR 6,851,042,131) of fixed deposits with original maturity of three months or less as at March 31, 2014.

25) SUBSEQUENT EVENTS

The Group has evaluated that there are no subsequent events that occurred after March 31, 2014 upto 20 June 2014 i.e. the date these consolidated financial statements were issued, which require any adjustment/disclosures in these consolidated financial statements.

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Note : Conversion rate used against Indian Rupees for the year 2014 and 2012 are:
i) Items relating to Profit and Loss account at Average rate: 1 USD= 0.0169 [2012: 1 USD =0.0187]
ii) Items relating to Balance sheet at Closing rate: 1 USD = 0.0167 [2012: 1 USD=0.0183]