

VALIA & TIMBADIA CHARTERED ACCOUNTANTS	Tel: Off: 2269 2624 / 2269 9664 Resi: 2409 5981/ 2409 6420 Fax: 2264 1937
ARVIND P. VALIA B.COM. (Hons.), F.C.A. HITEN C. TIMBADIA B.COM. L.L.B. (GEN), F.C.A.	E-mail: valtim09@gmail.com 32, Trinity Chambers, 117, Bora Bazar Street, Fort, Mumbai – 400 001.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SUN PHARMACEUTICALS ITALIA Srl

Report on the Financial Statements

We have audited the attached Balance Sheet of **Sun Pharmaceuticals Italia Srl** as at 31st March, 2015 and also the Statement of Profit And Loss for the year ended on that date annexed thereto.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the Accounting Standards and Accounting Principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An

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audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the 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 and to the best of our information and according to the explanations given to us, the financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2015; and
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date.

For **Valia & Timbadia**

Chartered Accountants

(Firm Registration no. 112241W)

(Hiten C. Timbadia)

Partner

Membership No. 038429

Place: Mumbai.

Date: 8th May, 2015.

SUN PHARMACEUTICALS ITALIA SRL
BALANCE SHEET AS AT 31 MARCH , 2015

Particulars	Note No	As At 31 MARCH , 2015 (€)		As At 31 MARCH , 2014 (€)	
CAPITAL AND LIABILITIES					
Shareholders' Funds					
Share Capital	1	10.000		10.000	
Reserves and Surplus	2	(4.416.486)		(4.502.380)	
Money received against Share Warrants			(4.406.486)		(4.492.380)
Share Application Money Pending Allotment		5.642.927	5.642.927	5.642.927	5.642.927
Minority Interest		-	-	-	-
Non-Current Liabilities					
Long-Term Borrowings	3	3.535.245		1.040.464	
Deferred Tax Liabilities (Net)	4	-		-	
Other Long-Term Liabilities	5	52.194		41.110	
Long-Term Provisions	6	-	3.587.439	-	1.081.574
Current Liabilities					
Short-Term Borrowings	7	-		-	
Trade Payables	8	2.686.914		7.929.282	
Other Current Liabilities	9	58.013		89.558	
Short-Term Provisions	10	37.824	2.782.751	-	8.018.841
TOTAL			7.606.631,36		10.250.961
ASSETS					
Non-Current Assets					
Fixed Assets	11				
Tangible Assets		63.501		68.535	
Intangible Assets		-		-	
Capital Work-In-Progress		-		-	
Intangible Assets Under Development		-		-	
Fixed Assets Held for Sale		-		-	
		63.501		68.535	
Goodwill on Consolidation		-		-	
Non-Current Investments	12	-		-	
Deferred Tax Assets (Net)	13	643.886		643.886	
Long-Term Loans and Advances	14	-		-	
Other Non-Current Assets	15	-	707.387	-	712.421
Current Assets					
Current Investments	16	-		-	
Inventories	17	2.739.049		3.846.223	
Trade Receivables	18	3.616.033		4.885.104	
Cash and Cash Equivalents	19	412.671		746.689	
Short-Term Loans and Advances	20	131.491		53.524	
Other current assets	21	-	6.899.245	7.000	9.538.540
TOTAL			7.606.631,36		10.250.961
See accompanying notes forming part of the Financial Statements	30				

In terms of our report of even date attached

For VALIA & TIMBADIA
Chartered Accountants

HITEN C TIMBADIA
Partner

Date : 8th May , 2015

Place : Mumbai

For and on behalf of the Board

HARIN MEHTA
Sole Director

Date : 8th May , 2015

Place : Mumbai

SUN PHARMACEUTICALS ITALIA SRL
STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31 MARCH 2015

Particular	Note No	As At 31 MARCH , 2015		As At 31 MARCH , 2014	
		(€)	(€)	(€)	(€)
Income					
Revenue from Operations (Gross)	22	7.354.547		7.956.098	
Less: Excise Duty		-		-	
Revenue from Operations (Net)			7.354.547		7.956.098
Other Income	23		119		286
Total Revenue			<u>7.354.666</u>		<u>7.956.384</u>
Expenses					
Cost of Materials Consumed	24				
Purchase of Stock-in-Trade			4.118.410		8.571.049
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	25		1.107.174		(2.282.057)
Employee Benefits Expense	26		1.138.840		1.104.977
Finance Costs	27		54.781		18.568
Depreciation/Amortisation/Impairment Expense			27.788		34.706
Other Expenses	28		766.284		868.594
Research and Development Expenditure	29				
Total Expenses			<u>7.213.277,03</u>		<u>8.315.837</u>
Loss Before Exceptional Items and Tax			141.389		(359.453)
Exceptional Items			-		-
Loss Before Tax			141.389		(359.453)
Tax Expense:					
Current Tax		-	37.824	-	
Prior Year Tax			17.671		
Deferred Tax		-	-	-	-
(Loss) from the Peri0d from Continuing Operations			85.894		(359.453)
(Loss) from Discontinuing Operations Before Tax			-		-
Tax Expense of Discontinuing Operations			-		-
Profit / (Loss) from Discontinuing Operations			-		-
Loss for the Year			85.894		(359.453)
Minority Interest			-		-
(Loss) for the Year After Minority Interest			<u>85.894</u>		<u>(359.453)</u>
Earning Per Share					
Basic and Diluted € Face Value per share € 10,000			85.894		(359.453)

See accompanying notes forming part of the Financial Statements 30

In terms of our report of even date attached

For VALIA & TIMBADIA
Chartered Accountants

For and on behalf of the Board

HITEN C TIMBADIA
Partner

HARIN MEHTA
Sole Director

Date : 8th May , 2015

Date : 8th May , 2015

Place : Mumbai

Place : Mumbai

SUN PHARMACEUTICALS ITALIA SRL
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	Note No	As At 31 MARCH , 2015		As At 31 MARCH , 2014	
		Number of Shares	(€)	Number of Shares	(€)
Share Capital					
Authorised Capital	1	-	-	-	-
Issued, Subscribed and Fully Paid					
Shares of ` € 10,000 each		1	10.000	1	10.000
		<u>1</u>	<u>10.000</u>	<u>1</u>	<u>10.000</u>

Reconciliation of the Number of Shares Outstanding

	Number of Shares	(€)	Number of Shares	(€)
Outstanding at the Beginning of the Year	1	10.000	1	10.000
Add: Shares Issued During the Year	-	-	-	-
Less: Shares Bought Back During the Year	-	-	-	-
Outstanding at the End of the Year	1	10.000	1	10.000

Sun Pharmaceuticals Italia Srl is 100 % owned by Alkaloida Chemical Company Zrt . with its head office in Hungary

Reserve and Surplus

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Surplus / Deficit in statment of Profit and Loss			
Opening Balance	(4.502.380)	(4.142.927)	
Add: Profit / (Loss) for the Year	85.894	(359.453)	
Transfer from General Reserve	-	-	
Proposed Dividend and Dividend Tax Written back	-	-	
Less: Proposed Dividend	-	-	
Corporate Dividend Tax	-	-	
Closing Balance	(4.416.486)	(4.502.380)	
	<u>(4.416.486)</u>	<u>(4.502.380)</u>	

SUN PHARMACEUTICALS ITALIA SRL
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars		As At 31 MARCH , 2015		As At 31 MARCH , 2014	
		(€)	(€)	(€)	(€)
Long-Term borrowings	3				
Secured Borrowings			NIL		NIL
Unsecured Borrowings					
Debtures			-		-
Bonds			-		-
Term Loan			-		-
Bank		-	-	-	-
Other Parties		-	-	-	-
Deferred Payment Liabilities			-		-
Deposits			-		-
Public Deposits		-	-	-	-
Intercorporate Deposits		-	-	-	-
Loans and Advances:			-		-
from Subsidiary Company			-		-
from Related Parties			-		-
Other Loans and Advances		3.535.245		1.040.464	
			3.535.245		1.040.464
			3.535.245		1.040.464
Deferred Tax Liabilities (Net)	4		NIL		NIL
Other Long-Term Liabilities	5				
1) Provision for Gratuity (Net)			52.194		41.110
			52.194		41.110
Long-Term Provisions	6				
Short-Term Borrowings	7		NIL		NIL
Trade Payables	8				
Acceptances					
Other than Acceptances			2.686.914		7.929.282
			2.686.914		7.929.282
Other Current Liabilities	9				
Statutory Remittances			58.013		89.558
Others					
1) Provision from Employee Benefits		-	-	-	-
2) Provision for invoices not yet received from Suppliers		-	-	-	-
3) For reimbursement of expenses to SPG FZE		-	-	-	-
			58.013		89.558
Short-Term Provisions	10				
Provision from Employee Benefits					
Provision for Compensated Absences				-	-
Provision for Income Tax			37.824		-
			37.824		-

SUN PHARMACEUTICALS ITALIA SRL
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars		As At 31 MARCH , 2015		As At 31 MARCH , 2014	
		(€)	(€)	(€)	(€)
Non-Current Investment	12		NIL		NIL
Deferred Tax Assets (Net)	13				
Unabsorbed Loss			643.886		643.886
			<u>643.886</u>		<u>643.886</u>
Long-Term Loans and Advances	14		NIL		NIL
Other Non-Current Assets	15		NIL		NIL
Current Investment	16		NIL		NIL
Inventories	17				
(Valued at Lower of Cost and Net Realisable Value)					
Stock-in-trade (acquired for Trading)		2.181.822		2.857.831	
Goods-in-Transit		557.227	2.739.049	988.392	3.846.223
			<u>2.739.049</u>		<u>3.846.223</u>
Trade Recievables	18				
(Unsecured – Considered Good unless stated otherwise)					
Over Six Months					
Considered Good		1.927.593		1.095.144	
Doubtful					
Less: Provision for Doubtful Trade Receivables			1.927.593		1.095.144
			<u>1.927.593</u>		<u>1.095.144</u>
Other Trade Receivables					
Considered Good		1.688.440		3.789.960	
Doubtful					
Less: Provision for Doubtful Trade Receivables			1.688.440		3.789.960
			<u>1.688.440</u>		<u>3.789.960</u>
			<u>3.616.033</u>		<u>4.885.104</u>
The above includes Debts due from Director and other officer of the company					
NIL					
Cash and Cash Equivalents	19				
Cash available in less than 3 month					
Cash on hand			3.698		2.865
Cheques, Drafts on hand					
Balance with Banks					
In Current Accounts		109.962		287.865	
In EEFC Accounts (Foreign currency Account)		-		-	
In Deposit Accounts with Original Maturity less than 3 Months					
In Earmarked Accounts					
Cash available in more than 3 month					
Other Bank Balances					
In Deposit Accounts					
In Earmarked Accounts:					
Unpaid Dividend Accounts					
Unpaid Matured Debentures					
Balances held as Margin Money or Security against Borrowings, Guarantees and Other Commitments			408.973		743.824
		299.011		455.960	
			<u>412.671</u>		<u>746.689</u>
Short-Terms Loans and Advances	20				
(Unsecured – Considered Good unless stated otherwise)					
Loans and Advances to Subsidiary Company			-	-	-
Security Deposits					
Considered Good		5.477		5.612	
Doubtful		-		-	
Less: Provision for Doubtful Deposits		-	5.477	-	5.612
			<u>5.477</u>		<u>5.612</u>
Loans and Advances to Employees					
Considered Good		5.000		6.500	
Doubtful		-		-	
Less: Provision for Doubtful Loans and Advances		-	5.000	-	6.500
			<u>5.000</u>		<u>6.500</u>
Prepaid Expenses			31.008		41.364
Balance with Government Authorities			72.005		-
Inter-Corporate Deposits			-		-
Advances for Supply of Goods and Services					
Advance Income-Tax [net of Provisions `NIL Million (Previous Year `NIL million)]			18.001		48
MAT Credit Entitlement					
			<u>131.491</u>		<u>53.524</u>
Other Current Assets	21				
Insurance claim Receivable				7.000	7.000

SUN PHARMACEUTICALS ITALIA SRL
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particular		As At 31 MARCH , 2015 (€)	As At 31 MARCH , 2014 (€)
Revenue from Oprations	22		
Sales of Products		7.354.547	7.956.098
Sales of Services		-	-
Other Operating Revenues			
Share of Profit from Partnership Firms			
Sale of Scrap			
Royalty Income			
Others		-	-
		<u>7.354.547</u>	<u>7.956.098</u>
Other Income	23		
Interest on			
Deposits with Banks			
Loans and Advances			
Other Current Investments			
Other Long-Term Investment			
Loan to Subsidiary Company			
Others - Bank Interest		119	285
		<u>119</u>	<u>285</u>
Cost of Material Consumed	24		
Raw Material & Packing Material			
Inventories at the beginning of the year		-	-
Add : Purchases of RM & PM during the year		-	-
Less : Inventories at the end of the year		-	-
		<u>-</u>	<u>-</u>
Changes in Inventories of Finished Goods, Work-In-Progress and Stock-In-Trade	25		
Inventories at the end of the year:		2.739.049	3.846.223
Inventories at the beginning of the year:		3.846.223	1.564.166
		<u>1.107.174</u>	<u>(2.282.057)</u>

SUN PHARMACEUTICALS ITALIA SRL
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

		As At 31 MARCH , 2015		As At 31 MARCH , 2014	
		(€)	(€)	(€)	(€)
Employee Benefits Expense	26				
Salaries and Wages			860.140,24		827.969
Contribution to Provident and Other Funds			240.918,29		243.917
Expense on Employee Stock Option (ESOP) Scheme			-		-
Staff Welfare Expenses			37.782		33.091
			<u>1.138.840</u>		<u>1.104.977</u>
Finance Costs	27				
Interest Expense on:					
Borrowings					
Loan From Holding Company		54.781		18.568	
Others		-	54.781	-	18.568
Other Borrowing Costs			-		-
Net (Gain) / Loss on Foreign Currency Transactions and Translation (considered as Finance Cost)			-		-
			<u>54.781</u>		<u>18.568</u>
Other Expenses	28				
Consumption of Stores and Spare Parts			-		-
Conversion and Other Manufacturing Charges			-		-
Power and Fuel			-		-
Rent			30.484		39.964
Rates and Taxes			-		-
Insurance			16.597		17.502
Selling and Distribution			254.638		294.156
Commission and Discount			2.747		-
Repairs					
Building		-	-		-
Plant and Machinery		-	-		-
Others		19.126	19.126	15.937	15.937
Printing and Stationery			6.775		8.454
Travelling and Conveyance			61.161		67.446
Overseas Travel and Export Promotion			-		-
Communication			25.588		37.364
Provision for Doubtful Trade and Other Receivables / Loans and Advances					
Provision for Doubtful Debts		-	-		-
Sundry Balances / Bad Debts Written Off (Net)					
Less: Adjusted out of Provision for earlier years			-		-
Professional and Consultancy			172.786		104.470
Donations			-		-
Loss on Fixed Assets Sold / Written Off / Scrapped			6.125		-
Net loss on Sale of Investments					
From Current Investments					
From Long-Term Investments					
Net loss on Foreign Currency Transactions and Translation (Other than considered as Finance Cost)			-		-
Increase / (Decrease) of Excise Euty on Inventory			-		-
Payment to Auditors					
Audit Fees		1.600		700	
Taxation Matters		-		-	
Company Law Matter		-		-	
Management Service		-		-	
Other Services		-		-	
For Reimbursement Expenses			1.600		700
Miscellaneous Expenses			168.657		282.602
			<u>766.284</u>		<u>868.594</u>

Fixed assets

Sr. No	Particulars	Gross block					Depreciation / amortisation / impairment					Net block	
		As at 1st April, 2014	Addition during the year	Disposals during the year	Reclassified as held for sale	Revaluation increase	Effect of foreign currency exchange differences	As at 31st March, 2015	As at 1st April, 2014	For the year	On disposals during the year	Eliminated on reclassification as held for sale	As at 31st March, 2015
I	Tangible assets												
1	Land: Freehold Leasehold												
2	Buildings: Owned Taken under finance lease Given under operating lease	34.901	4.666 -	550			39.017	31.873	2.786 -	46		34.613	3.029
3	Computer and Computer Equipments Owned Taken under finance lease Given under operating lease	16.109	-				16.109	12.254	1.324			13.579	3.855
4	Furnitures and fixtures: Owned Taken under finance lease Given under operating lease	107.189	28.764 -	24.426			111.528	45.538	22.061 -	9.526		58.073	61.651
5	Vehicles: Owned Taken under finance lease Given under operating lease	2.643	4.727				7.370	2.643	1.617	-		4.259	3.110
6	Office equipment: Owned Taken under finance lease Given under operating lease	1.046	-				1.046	1.046	-			1.046	-
7	Other (Specify): Software Owned Taken under finance lease Given under operating lease												
		161.889	38.157 -	24.976			175.071	93.354	27.788 -	9.572		111.570	68.535
	Previous year	141.940	19.949				161.889	60.444	32.910			93.354	27.314
II	Intangible assets												
	Trademarks, Designs and other intangible assets	13.413	-				13.413	13.413	-			13.413	-
	Previous year	13.413	-				13.413	13.413	-			13.413	-
								11.617	1.796			13.413	1.796

Sun Pharmaceuticals Italia SrL.

1. Notes to the Balance Sheet as at 31 March 2015 and the Statement of Profit and Loss for the financial year 2014 - 2015.

1.1 General

General information

Sun Pharmaceuticals Italia Srl is 100 % owned by Alkaloida Chemical Company Zrt . with its head office in Hungary. Alkaloida owns 1 share of € 10.000 .

Going concern

The company is dependent on the continuing financial support of its shareholders, which the directors believe will be available. The accounts do not reflect any adjustment, which would have to be made should continuing finance not be available. The directors consider it appropriate for the accounts to be prepared on a going concern basis. Assets and liabilities are stated at nominal value, unless indicated otherwise.

1.2 Accounting Policy

Basis of Accounting

The financial statements have been prepared under historical cost convention on an accrual basis.

Tangible fixed assets

Tangible fixed assets are valued at cost less straight-line depreciation, based on the estimated useful lives. The depreciation is a fixed percentage of the historical cost.

- Office Equipments : 20%
- Data Process Equipment : 20 %
- Furniture and Fixtures : 20%
- Software : 33.33%
- Vehicles : 25%
- For all assets categories the depreciation is half percentage for the first year and for Items with value until € 516,46 the depreciation is 100 % in the first year .

Turnover

Turnover represents the total invoice value of sales made during the year and after deduction of trade discounts.

Stock

Stock is valued at lower of cost and net realizable value.

Deferred Tax Assets

Deferred tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets can be realised in future

Related parties

All transactions with following related parties are closed at arm's length

Particulars	31/03/2015 (€)	31/03/2014 (€)
Purchase of Goods		
Sun Pharmaceutical Industries Ltd	1,542,439	2,734,488
Sun Pharma Global (FZE)	1,248,057	5,115,543
Sun Pharmaceuticals Spain	0	161,843
Sun Pharmaceuticals Germany	0	4,000
Sun Pharmaceuticals UK	0	22,898
Sun Pharmaceuticals Industries Europe	0	81,355
Interest – Alkaloida Chemical Co. Zrt	54,781	18,568
Receiving of Services		
Alkaloida Chemical Co. Zrt	119,080	235,660
Sun Pharmaceutical Industries (Europe) BV	96,095	81,800
Loan Taken as on 31/03/2015		
Alkaloida Chemical Co. Zrt	3,535,245	1,040,464
Payable as on 31/03/2015		
Alkaloida Chemical Co. Zrt	33,830	77,790
Sun Pharmaceutical Industries (Europe) BV	37,732	82,897
Sun Pharma Global (FZE)	1,654,610	5,974,557

Sun Pharmaceutical Industries Lt	246,339	1,446,666
Sun Pharmaceuticals UK	151	115
Receivables as on 31/03/2015		
Sun Pharma Global (FZE)	160,307	89,009
Sun Pharmaceutical Industries Ltd	0	1,259
Sun Pharmaceuticals Spain	422	1,296
Sun Pharmaceutical Industries (Europe) BV	0	
Sale of Goods		
Sun Pharmaceuticals Germany GmbH	60,420	300
Sun Pharmaceutical Industries (Europe) BV	263,705	8,085
Sun Pharmaceuticals France	0	80,982
Sun Pharmaceuticals UK	0	7,745

Contingent Liabilities Not Provided for

	31/03/2015	31/03/2014
Guarantees given by Bank on behalf of the Company	€ 2,866 Million	€ 3,101 Million
AIFA for Hospital Spending review	€ 4,000 Million	€ 1,294 Million

Comparison with previous year

Previous year's figures are regrouped wherever necessary to make them comparable with current year's figures.

For and on behalf of the Board

HARIN MEHTA
Sole Director

Date : 8th May , 2015

Place : Mumbai