

F-7 Laxmi Mills
Shakti Mills Lane (Off Dr E Moses Rd)
Mahalaxmi Mumbai 400 011 India
Tel : 91 22 2493 2502 / 6655 1770
Fax : 91 22 6655 1774
Grams : VERIFY
www.KSAiyar.com
Mail@KSAiyar.com

Independent Auditor's Report

To the Members of Zydus Healthcare Limited

Report on the IND AS Financial Statements

We have audited the accompanying financial statements of **Zydus Healthcare Limited** ("the Company") [earlier known as German Remedies Limited], which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity, the Statement of Cash Flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards (IND AS) specified under Section 133 of the Act read with the rules made thereunder. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. 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.



Offices also at
Chennai Kolkata
Bangaluru Coimbatore Hyderabad

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid IND AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including IND AS, of the state of affairs (financial position) of the Company as at March 31, 2017, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

1. We draw attention to note 46 to financial statements regarding the Scheme of Amalgamation ("Scheme") under section 230 to 232 of the Companies Act, 2013 for amalgamation of Biochem Pharmaceutical Industries Limited ('Biochem'), with the Company as sanctioned by National Company Law Tribunal, Ahmedabad on March 27, 2017. As a result of the scheme, all the assets and liabilities of Biochem were transferred to and vested in the Company with effect from Appointed Date (March 31, 2016). As the issuance and allotment of equity shares as stated in the note towards purchase consideration are pending allotment on the balance sheet date, same has been disclosed under the head "Share Capital Suspense Account" as per note 14 of notes to financial statements.
2. We draw attention to note 45 and note 46 to the financial statements, relating to scheme of amalgamation of Zydus Healthcare Limited ('ZHL') erstwhile a partnership firm and then converted into a company under Chapter 21 of the Companies Act 2013, and Biochem Pharmaceutical Industries Limited ('Biochem'). These schemes have been accounted under the 'Purchase Method' as per Accounting Standard 14 – accounting for amalgamations in compliance with the Scheme of Amalgamation pursuant to Sections 391-394 of the Companies Act, 1956 approved by Gujarat High Court and the National Company Law Tribunal, Ahmedabad respectively. Accordingly, the Company has recognised goodwill on amalgamation amounting to ₹ 41149 million and ₹ 4859 million respectively which has been amortised in accordance with the scheme. The accounting treatment provided in the Scheme prevails over the requirements of IND AS in accordance with the Ministry of Company Affairs notification for IND AS dated February 16, 2015 as per note 46.

Our opinion is not modified in respect of these matters.



Other Matter

The financial information of the Company for the year ended March 31, 2016 and the transition date opening balance sheet as on April 01, 2015 included in these financial statements, are based on the previously issued statutory financial statements for the years ended March 31, 2016 and March 31, 2015 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by us and on which we expressed an unmodified opinion dated May 07, 2016 and May 12, 2015 respectively. The adjustments to those financial statements including adjustments for transactions of the balance period from March 30, 2016 to March 31, 2016 in respect of Biochem for the differences in accounting principles adopted by the Company on transition to IND AS have been audited by us.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Government of India – Ministry of Corporate Affairs, in terms of sub-section (11) of section 143 of the Act, we enclose in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the said Order.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with relevant rules made thereunder.
 - (e) On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:



K. S. AIYAR & CO

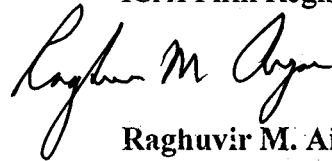
CHARTERED ACCOUNTANTS

- i. the Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer note 25 (c) to the financial statements;
- ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- iv. the Company has provided requisite disclosures in its financial statements as to holding as well as dealings in Specified Bank Notes during the period from November 08, 2016 to December 30, 2016 and these are in accordance with the books of accounts maintained by the Company. Refer note 11 to the financial statement.

For K. S. Aiyar & Co.

Chartered Accountants

ICAI Firm Registration No: 100186W



Raghuvir M. Aiyar

Partner

Membership No.: 38128

Place: Ahmedabad

Date: May 26, 2017

Annexure to the Auditor's Report

(Referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' of our Report of even date on the financial statements for the year ended on March 31, 2017, of **Zydus Healthcare Limited** [earlier known as German Remedies Limited])

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) A substantial portion of the fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties acquired under the Scheme of amalgamation are in process of being transferred in the name of the Company. (Refer note 3 to the Financial Statements)
- (ii) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. The discrepancies noticed on verification between the physical stocks and book records were not material and are have been properly dealt with in books of accounts.
- (iii) As informed, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, provisions of clauses 3 (iii) (a), 3 (iii) (b) and 3 (iii) (c) of the Order are not applicable.
- (iv) As informed, the Company has not advanced any loans, made any investments or given any guarantees and securities. Accordingly, clause 3 (iv) of the Order is not applicable.
- (v) The Company has not accepted any deposit from the public and consequently the directives issued by the Reserve Bank of India, provisions of section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder, with regard to the deposits accepted from the public are not applicable to the Company. No order has been passed by the Company Law Board, National Law Tribunal or Reserve Bank of India or any other court or any other tribunal.
- (vi) We have broadly reviewed the books of accounts maintained by the company pursuant to the rules made by the Central Government for maintenance of the cost record under sub section (1) of Section 148 of the Companies Act, 2013 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine they are accurate or complete.



- (vii) (a) According to the records of the Company, the Company has been generally regular in depositing Provident Fund, Employees' State Insurance, Income tax, Sales tax, Value Added tax, Service tax, duty of customs, duty of excise and other material statutory dues applicable to it with the appropriate authorities.

According to the information and explanations given to us, there are no undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, service tax, sales-tax, duty of customs, duty of excise and other statutory dues which were outstanding, at the year end for a period of more than six months from the date they became payable.

- (b) According to the records of the Company, there are no dues of Income tax, Sales tax, Service tax, duty of customs, duty of excise and which have not been deposited on account of any dispute except as stated below

Name of the Statute (Nature of dues)	Year to which the amount relates	Forum where the dispute is pending	Amount (₹ in millions)
Central Excise Act, 1944 (Excise Duty / Service Tax)	2000 to 2002	Supreme Court	6.51
	2005-06 to 2013-14	Commissioner -Appeals	297.84
	Various cases for the period 2000-01 to 2014-15	Central Excise and Service Tax Appellate Tribunal	128.88
	Various cases for the period 2008-09 to 2016-17	Additional / Deputy / Joint Commissioner	193.02
Central Sales Tax and Local Sales Tax Act (Sales Tax)	2008-09	Joint Commissioner of Sales Tax (Appeal) / Assessing Authorities	1.53
Income Tax Act, 1961 (Income Tax)	2012-13	Commissioner of Income Tax (Appeals)	19.91
	2013-14	Commissioner of Income Tax (Appeals)	0.38

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to any banks. The Company does not have any loans from financial institutions or government. The Company did not have any outstanding debentures during the year.
- (ix) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, clause 3 (ix) of the Order is not applicable to the Company.
- (x) According to the information and explanations furnished by the management, which have been relied upon by us, there were no frauds by the Company or on the

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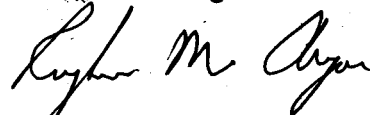
Company by any of its employees or officers noticed or reported during the course of our audit.

- (xi) In our opinion, managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, clause 3 (xii) of the Order is not applicable to the Company.
- (xiii) In our opinion all transactions with the related parties are in compliance with sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable accounting standards.
- (xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- (xv) The Company has not entered into any non-cash transactions with directors or persons connected with them.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For K. S. Aiyar & Co.

Chartered Accountants

ICAI Firm Registration No: 100186W



Raghuvir M. Aiyar

Partner

Membership No.: 38128

Place: Ahmedabad

Date: May 26, 2017

Annexure - B to the Independent Auditor's Report of even date on the Financial Statements of Zydus Healthcare Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **Zydus Healthcare Limited** ("the Company") [earlier known as German Remedies Limited] as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

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Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

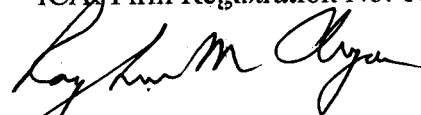
Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For K. S. Aiyar & Co.**Chartered Accountants**

ICAI Firm Registration No: 100186W

**Raghuvir M. Aiyar****Partner**

Membership No.: 38128

Place: Ahmedabad

Date: May 26, 2017

ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Balance Sheet as at March 31, 2017

Particulars	Note No.	INR-Millions		
		As at		
		March 31, 2017	March 31, 2016	April 1, 2015
ASSETS:				
Non-Current Assets:				
Property, Plant and Equipment	3	4,956	1,352	-
Capital work-in-progress		605	7	-
Goodwill	3	40,742	45,343	-
Other Intangible Assets	3	5,441	594	-
Financial Assets:				
Investments	4	18	9	860
Other Financial Assets	5	260	25	-
Other Non-Current Assets	6	3,358	3,196	-
Assets for Current tax [Net]	7	20	12	1
		55,400	50,538	861
Current Assets:				
Inventories	8	3,142	1,343	-
Financial Assets:				
Investments	9	-	-	200
Trade Receivables	10	2,665	1,377	-
Cash and Cash Equivalents	11	204	236	1
Other Current Assets	12	2,594	250	-
		8,605	3,206	201
Total		64,005	53,744	1,062
EQUITY AND LIABILITIES:				
Equity:				
Equity Share Capital	13	12,559	5	2
Other Equity	14	44,339	47,284	1,060
		56,898	47,289	1,062
Non-Current Liabilities:				
Financial Liabilities:				
Borrowings	15	200	330	-
Other Financial Liabilities	16	184	-	-
Provisions	17	649	32	-
Deferred Tax Liabilities [Net]	18	625	167	-
		1,658	529	-
Current Liabilities:				
Financial Liabilities:				
Borrowings	19	-	4,504	-
Trade Payables	20	4,329	846	-
Other Financial Liabilities	21	689	342	-
Other Current Liabilities	22	255	106	-
Provisions	23	111	95	-
Current Tax Liabilities [Net]	24	65	33	-
		5,449	5,926	-
Total		64,005	53,744	1,062
Significant Accounting Policies	2			
Notes to the Financial Statements	1 to 48			

As per our report of even date

For K. S. Aiyar & Co.

Chartered Accountants

Firm Registration Number: 100186W



Raghuvir M. Aiyar

Partner

Membership Number: 038128

Ahmedabad, Dated:

26 MAY 2017

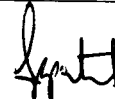


P A Padmanabhan
Chief Financial Officer



Sanjay D Gupta
Company Secretary

For and on behalf of the Board



Dr. Sharvil P. Patel
Chairman



Anil Matai
Managing Director

ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]
Statement of Profit and Loss for the year ended March 31, 2017

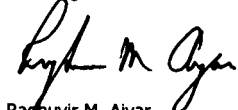
Particulars	Note No.	INR-Millions	
		Year ended March 31	
		2017	2016
Revenue from Operations	27	29,314	1,711
Other Income	28	27	1
Total Income		29,341	1,712
EXPENSES:			
Cost of Materials Consumed	29	5,454	267
Purchases of Stock-in-Trade	30	5,221	-
Changes in Inventories of Finished goods, Work-in-progress and Stock-in-Trade	31	(422)	(73)
Excise Duty on Sales		1,193	85
Employee Benefits Expense	32	4,377	22
Finance Costs	33	319	62
Depreciation, Amortisation and Impairment expenses	3	5,022	682
Other Expenses	34	6,292	461
Total Expenses		27,456	1,506
Profit before Tax		1,885	206
Less: Tax Expense:			
Current Tax	35	419	28
Deferred Tax	18	458	152
		877	180
Profit for the year		1,008	26
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss:			
Re-measurement losses on post employment defined benefit plans		(111)	(1)
Income tax effect		24	-
		(87)	(1)
Net Gain/ (Loss) on Fair Value through OCI [FVTOCI] Equity Securities		9	(3)
Income tax effect		-	-
		9	(3)
Other Comprehensive Income for the year [Net of Tax]		(78)	(4)
Total Comprehensive Income for the year [Net of Tax]		930	22
Basic Earning per Equity Share [EPS] [in Rupees]	36	437.92	73.59
Diluted Earning per Equity Share [EPS] [in Rupees]	36	451.12	73.59
Significant Accounting Policies	2		
Notes to the Financial Statements	1 to 48		

As per our report of even date

For K. S. Aiyar & Co.

Chartered Accountants

Firm Registration Number: 100186W




Raghuvir M. Aiyar

Partner

Membership Number: 038128

Ahmedabad, Dated:

26 MAY 2017



P A Padmanabhan

Chief Financial Officer



Sanjay D Gupta

Company Secretary

For and on behalf of the Board



Dr. Sharvil P. Patel

Chairman



Anil Matai

Managing Director

ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Statement of Change in Equity for the year ended March 31, 2017

A Equity Share Capital:

	No. of Shares	INR-Millions
Equity Shares of INR 100/- each, Issued, Subscribed and Fully Paid-up:		
As at April 1, 2015	24,000	2
Add: Issued bonus shares during the year	24,000	3
As at March 31, 2016	48,000	5
Add: Issued shares as a part of Scheme of Amalgamation [*]	1,890,242	189
As at March 31, 2017	1,938,242	194
8% Optionally Convertible Non-Cumulative Redeemable Preference Shares of INR 100/- each Issued, Subscribed and Fully Paid up:		
As at April 1, 2015	-	-
As at March 31, 2016	-	-
Add: Issued shares as a part of Scheme of Amalgamation [*]	123,650,000	12,365
As at March 31, 2017	123,650,000	12,365

B Other Equity:

	INR-Millions				Total
	Reserves and Surplus [Note-14]			Items of OCI	
	Share Capital Suspense Account [*]	General Reserve	Retained Earnings	FVTOCI Reserve [Note-14]	
As at April 1, 2015		101	110	849	1,060
Add: Profit for the year			26		26
Add/ [Less]: Other Comprehensive income			(1)	(3)	(4)
Total Comprehensive Income		101	135	846	1,082
Utilised for issue of Bonus Shares		(2)			(2)
Acquired under the Scheme [*]		134			134
Share Capital pending for Allotment [*]	47,100				47,100
Add: Gain/ (Loss) on revaluation of investment in Partnership Firm				(846)	(846)
Transactions with Owners in their capacity as owners:					
Interim Dividend			(153)		(153)
Corporate Dividend Tax on Dividend			(31)		(31)
As at March 31, 2016	47,100	233	(49)	-	47,284
Add: Profit for the year			1,008		1,008
Add/ [Less]: Other Comprehensive income			(87)	9	(78)
Total Comprehensive Income	47,100	233	872	9	48,214
Transfer [to]/ from Reserve	(41,322)	41,322			-
Shares issued pursuant to Scheme of Amalgamation [*]	(214)				(214)
Stamp duty paid on issue of shares		(49)			(49)
Transactions with Owners in their capacity as owners:					
Dividend		(3,001)			(3,001)
Corporate Dividend Tax on Dividend		(611)			(611)
As at March 31, 2017	5,564	37,894	872	9	44,339

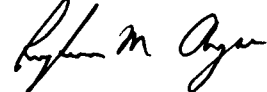
[*] Refer Note No. 45 and 46

As per our report of even date

For K. S. Aiyar & Co.

Chartered Accountants

Firm Registration Number: 100186W



Raghuvir M. Aiyar

Partner

Membership Number: 038128

Ahmedabad, Dated:

26 MAY 2017

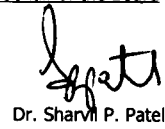


P A Padmanabhan
Chief Financial Officer



Sanjay D Gupta
Company Secretary

For and on behalf of the Board



Dr. Sharvil P. Patel

Chairman



Anil Matal

Managing Director

ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Note: 1-Corporate Information:

Zydus Healthcare Limited ["the Company"], a company limited by shares, incorporated and domiciled in India, operates as an integrated pharmaceutical company with business encompassing the entire value chain in the production, marketing and distribution of pharmaceutical products. The product portfolio of the Company includes human formulations. The registered office of the Company is located at "Zydus Tower", Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad - 380015.

These financial statements were authorised for issue in accordance with a resolution passed by the Board of directors at its meeting held on May 26, 2017.

Note: 2-Significant Accounting Policies:

A The following note provides list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented unless otherwise stated.

1 Basis of preparation:

- A** The financial statements have been prepared in accordance with Indian Accounting Standards [Ind AS] notified under the Companies [Indian Accounting Standards] Rules, 2015 and other relevant provisions of the Companies Act, 2013.
- B** For all periods up to and including the year ended March 31, 2016, the Company has prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies [Accounts] Rules, 2014 [Indian GAAP]. Beginning April 1, 2016, the Company has for the first time adopted Ind AS with a transition date of April 1, 2015. Refer to Note No. 40 for information on how the Company has adopted Ind AS and Note No. 41 for an explanation as to how the transition from the previous GAAP to Ind AS has affected the Company's financial position [equity] and the financial performance [net profit].
- C** The financial statements have been prepared on historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount:
 - i Derivative financial instruments
 - ii Certain financial assets and liabilities measured at fair value [refer accounting policy regarding financial instruments]
 - iii Defined benefit plans

2 Use of Estimates:

The preparation of financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments are provided below. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

Critical estimates and judgments

a Income Taxes:

Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/ recovered for uncertain tax positions.

b Property, Plant and Equipment:

Property, Plant and Equipment represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Management reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting period end and any revision to these is recognised prospectively in current and future periods. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

c Employee Benefits:

Significant judgments are involved in making judgments about the life expectancy, discounting rate, salary increase etc. which significantly affect the working of the present value of future liabilities on account of employee benefits by way of defined benefit plans.

d Product warranty and expiry claims:

Significant judgment is involved in determining the estimated stock lying in the market with product shelf life and estimates of likely claims on account of expiry/ breakages of such unsold goods lying with stockist.

e Impairment of assets and investments:

Significant judgment is involved in determining the estimated future cash flows from the Investments and Property, Plant and Equipments to determine its value in use to assess whether there is any impairment in its carrying amount as reflected in the financial statements.

Note: 2-Significant Accounting Policies-Continued:**3 Foreign Currency Transactions:**

The Company's financial statements are presented in Indian Rupees [INR], which is the functional and presentation currency.

- A** The transactions in foreign currencies are translated into functional currency at the rates of exchange prevailing on the date of transactions.
- B** Foreign Exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the Statement of Profit and Loss.
- C** Foreign Exchange differences regarded as an adjustment to borrowing costs are presented in the Statement of Profit and Loss within finance costs. All other foreign exchange gains and losses are presented in the Statement of Profit and Loss on a net basis.

4 Revenue Recognition:

- A** Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government and is shown net of returns, trade allowances, rebates, value added taxes and volume discounts.
- B** Excise duty is a liability of the Company as a manufacturer, which forms part of the cost of production, irrespective of whether the goods are sold or not. Therefore, the recovery of excise duty flows to the Company on its own account and hence revenue includes excise duty.
- C** Sales Tax/ Value Added Tax [VAT] is not received by the Company on its own account. Rather, it is tax collected on value added to the Goods by the Company on behalf of the government. Accordingly, it is excluded from revenue.
- D** The specific recognition criteria described below must also be met before revenue is recognised.

a Sale of Goods:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

The goods are often sold with volume discounts/ pricing incentives and customers have a right to return damaged or expired products. Revenue from sales is based on the price in the sales contracts/ MRP, net of discounts. Historical experience is used to estimate and provide for damage or expiry claims. No element of financing is deemed present as the sales are made with the normal credit terms as per prevalent trade practice and credit policy followed by the Company.

b Service Income:

Service income is recognised as per the terms of contracts with the customers when the related services are performed as per the stage of completion or on the achievement of agreed milestones and are net of service tax, wherever applicable.

c Interest Income:

For all debt instruments measured at amortised cost interest income is recorded using the effective interest rate [EIR]. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

d Dividend:

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

e Other Income:

Other income is recognised when no significant uncertainty as to its determination or realisation exists.

Note: 2-Significant Accounting Policies-Continued:

5 Government Grants:

- A** Government grants are recognised in accordance with the terms of the respective grant on accrual basis considering the status of compliance of prescribed conditions and ascertainment that the grant will be received.
- B** Government grants related to revenue are recognised on a systematic and gross basis in the Statement of Profit and Loss over the period during which the related costs intended to be compensated are incurred.
- C** Government grants related to assets are recognised as income in equal amounts over the expected useful life of the related asset.
- D** When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset.
- E** When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

6 Taxes on Income:

Tax expenses comprise of current and deferred tax.

A Current Tax:

- a** Current tax is measured at the amount expected to be paid on the basis of reliefs and deductions available in accordance with the provisions of the Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.
- b** Current tax items are recognised in correlation to the underlying transaction either in Statement of Profit and Loss, OCI or directly in equity.

B Deferred Tax:

- a** Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.
- b** Deferred tax liabilities are recognised for all taxable temporary differences.
- c** Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized.
- d** The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
- e** Deferred tax assets and liabilities are measured at the tax rates [and tax laws] that have been enacted or substantively enacted at the reporting date and are expected to apply in the year when the asset is realised or the liability is settled.
- f** Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.
- g** Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities.

C MAT Credit Entitlement:

- a** Minimum Alternate Tax [MAT] paid in a year is charged to the Statement of Profit and Loss as current tax.
- b** The company recognizes MAT credit available as an asset based on historical experience of actual utilisation of such credit and only when and to the extent there is a convincing evidence that the company will pay normal income tax during the specified period i.e., the period for which MAT Credit is allowed to be carried forward. Such asset, if any recognised, is reviewed at each Balance Sheet date and the carrying amount is written down to the extent there is no longer a convincing evidence that the company will be liable to pay normal tax during the specified period.

7 Property, Plant and Equipment:

- A** Freehold land is carried at historical cost. All other items of Property, Plant and Equipment are stated at historical cost of acquisition/ construction less accumulated depreciation and impairment loss. Historical cost [Net of Input tax credit received/ receivable] includes related expenditure and pre-operative & project expenses for the period up to completion of construction/ assets are ready for its intended use, if the recognition criteria are met and the present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance charged to the statement of profit and loss during the reporting period in which they are incurred.
On transition to Ind AS, the Company has elected to continue with the carrying value of all its property, plant and equipment recognised as at April 1, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.
- B** Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives as compared to principal item of the asset, they are recognised separately as independent items and are depreciated over their estimated economic useful lives.
- C** Depreciation on tangible assets is provided on "straight line method" based on the useful lives as prescribed under Schedule II of the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period

Note: 2-Significant Accounting Policies-Continued:

over which the assets are likely to be used. However, management reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting period end and any revision to these is recognised prospectively in current and future periods.

- D** Depreciation on impaired assets is calculated on its reduced value, if any, on a systematic basis over its remaining useful life.
- E** Depreciation on additions/ disposals of the fixed assets during the year is provided on pro-rata basis according to the period during which assets are used.
- F** Where the actual cost of purchase of an asset is below INR 10,000/-, the depreciation is provided @ 100%.
- G** Capital work in progress is stated at cost less accumulated impairment loss, if any. All other repair and maintenance costs are recognised in statement of profit or loss as incurred, unless they meet the recognition criteria for capitalisation under Property, Plant and Equipment.
- H** An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset [calculated as the difference between the net disposal proceeds and the carrying amount of the asset] is included in the statement of profit and loss when the asset is derecognised.

8 Intangible Assets:

- A** Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.
- B** Internally generated intangibles are not capitalised and the related expenditure is reflected in the statement of profit and loss in the period in which the expenditure is incurred.
- C** Goodwill arising on Amalgamation is amortised over ten years, as provided in the Scheme of Amalgamation.
- D** Trade Marks, Technical Know-how Fees and other similar rights are amortised over their estimated economic life.
- E** Capitalised cost incurred towards purchase/ development of software is amortised using straight line method over its useful life of four years as estimated by the management at the time of capitalisation.
- F** Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.
- G** An item of intangible asset initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset [calculated as the difference between the net disposal proceeds and the carrying amount of the asset] is included in the statement of profit and loss when the asset is derecognised.

9 Research and Development Cost:

- A** Expenditure on research and development is charged to the Statement of Profit and Loss of the year in which it is incurred.
- B** Capital expenditure on research and development is given the same treatment as Property, Plant and Equipment.

10 Borrowing Costs:

- A** Borrowing costs consist of interest and other borrowing costs that are incurred in connection with the borrowing of funds. Other borrowing costs include ancillary charges at the time of acquisition of a financial liability, which is recognised as per EIR method. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs.
- B** Borrowing costs that are directly attributable to the acquisition/ construction of a qualifying asset are capitalised as part of the cost of such assets, up to the date the assets are ready for their intended use.

11 Impairment of Assets:

The Property, Plant and Equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, the assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets [cash generating units]. Non-financial assets other than goodwill that suffered an impairment loss are reviewed for possible reversal of impairment at the end of each reporting period. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

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Note: 2-Significant Accounting Policies-Continued:

12 Inventories:

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- A** Raw Materials, Stores & Spare Parts, Packing Materials, Finished Goods, Stock-in-Trade and Works-in-Progress are valued at lower of cost and net realisable value.
- B** Cost [Net of CENVAT and Input tax credit availed] of Raw Materials, Stores & Spare Parts, Packing Materials, Finished Goods & Stock-in-Trade is determined on Moving Average Method.
- C** Costs of Finished Goods and Works-in-Progress are determined by taking material cost [Net of CENVAT and Input tax credit availed], labour and relevant appropriate overheads based on the normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Write down of inventories to net realisable value is recognised as an expenses and included on "Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade" and "Cost of Material Consumed" in the relevant note in the Statement of Profit and Loss.

13 Leases:

As a lessee:

The determination of whether an arrangement is [or contains] a lease is based on the substance of the arrangement at the inception of the lease.

Lease under which the Company assumes potentially all the risk and rewards of ownership are classified as finance lease. When acquired, such assets are capitalised at fair value or present value of the minimum lease payment at the inception of the lease, whichever is lower. Lease payments under operating leases are recognised as an expenses on straight line basis in Net Profit in the statement of profit and loss over the lease term, unless the payments are structured to increase in line with expected general inflation to compensate lessor's expected inflationary cost increases.

As a lessor:

Lease income from operating leases where the Company is lessor is recognised in income on a straight line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

14 Provisions, Contingent Liabilities and Contingent Assets:

- A** Provisions are recognised when the Company has a present obligation as a result of past events and it is probable that the outflow of resources will be required to settle the obligation and in respect of which reliable estimates can be made. A disclosure for contingent liability is made when there is a possible obligation, that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision/ disclosure is made. Contingent assets are not recognised but are disclosed separately in the financial statements. Provisions and contingencies are reviewed at each balance sheet date and adjusted to reflect the correct management estimates. Contingent assets are not recognised but are disclosed separately in financial statements.
- B** If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability.

15 Provision for Product Expiry Claims:

Provisions for product expiry related costs are recognised when the product is sold to the customer. Initial recognition is based on historical experience. The initial estimate of product expiry claim related costs is revised annually.

16 Employee Benefits:

A Short term obligations:

Liabilities for wages and salaries, including leave encashments that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

B Long term employee benefits obligations:

a Earned Leave and Sick Leave:

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months period after the end of the period in which the employees render the related service. They are therefore, measured at the present value of expected future payments to be made in respect of services provided by employees upto the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of reporting period that have the terms approximating to the terms of the related obligation. Gains and losses through re-measurements are recognised in the Statement of Profit and Loss.

b Defined Benefit Plans:

i Gratuity:

The Company operates a defined benefit gratuity plan with contributions to be made to a separately administered fund through Life Insurance Corporation of India through Employees Group Gratuity Plan. The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan is the present value of the defined benefit plan obligation at the end of the reporting period less the fair value of the plan assets. The liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to the market yields at the reporting period on government bonds that have terms approximating to the

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Note: 2-Significant Accounting Policies-Continued:

terms of the related obligation.

The net interest cost is calculated by applying the discounting rate to the net balance of the defined benefit obligation and the fair value of plan assets. Such costs are included in employee benefit expenses in the Statement of Profit and Loss.

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the period in which they occur directly in "Other Comprehensive Income" and are included in retained earnings in the statement of changes in equity and in the balance sheet. Re-measurements are not reclassified to profit and loss in subsequent periods.

The Company recognises the following changes in the net defined benefit obligation as an expense in the Statement of Profit and Loss:

- i Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non routine settlements;
- ii Net interest expense or income

ii Company administered Provident Fund:

In case of a specified class of employees, such contributions are deposited to Cadila Healthcare Limited Employees' Provident Fund Trust. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

c Defined Contribution Plans - Provident Fund Contribution:

Eligible employees of the Company receive benefits from a provident fund, which is a defined contribution plan. Both the eligible employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. Amounts collected under the provident fund plan are deposited in a government administered provident fund. The Company has no further obligation to the plan beyond its monthly contributions. Such contributions are accounted for as defined contribution plans and are recognised as employees benefit expenses when they are due in the Statement of Profit and Loss.

C Employee Separation Costs:

The compensation paid to the employees under Voluntary Retirement Scheme is expensed in the year of payment.

17 Excise Duty:

Excise Duty is accounted gross of Cenvat benefit availed on inputs, capital goods and eligible services.

18 Cash and Cash Equivalents:

Cash and Cash equivalents for the purpose of Cash Flow Statement comprise cash and cheques in hand, bank balances, demand deposits with banks where the original maturity is three months or less and other short term highly liquid investments.

19 Dividends :

The final dividend on shares is recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as liability on the date of declaration by the Company's Board of Directors.

20 Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A Financial assets:**a Initial recognition and measurement:**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place [regular way trades] are recognised on the settlement date, trade date, i.e., the date that the Company settle commits to purchase or sell the asset.

b Subsequent measurement:

For purposes of subsequent measurement, financial assets are classified in four categories:

i Debt instruments at amortised cost:

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held with an objective of collecting contractual cash flows
- Contractual terms of the asset give rise on specified dates to cash flows that are "solely payments of principal and interest" [SPPI] on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate [EIR] method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the statement of profit or loss.

ii Debt instruments at fair value through other comprehensive income:

A 'debt instrument' is classified as FVTOCI if both of the following criterias are met:

- The asset is held with objective of both - for collecting contractual cash flows and selling the financial assets
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the OCI. However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the Statement of Profit and Loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

iii Debt instruments and derivatives at fair value through profit or loss [FVTPL]:

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as amortized cost or as FVTOCI, is classified as at FVTPL.

Instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

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Note: 2-Significant Accounting Policies-Continued:

iv Equity instruments:

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income for subsequent changes in the fair value. The Company has made such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to Statement of Profit and Loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

c Derecognition:

A financial asset [or, where applicable, a part of a financial asset] is primarily derecognised [i.e. removed from the Company's balance sheet] when:

- i The rights to receive cash flows from the asset have expired, or
- ii The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either [a] the Company has transferred substantially all the risks and rewards of the asset, or [b] the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. When the Company has transferred the risk and rewards of ownership of the financial asset, the same is derecognised.

d Impairment of financial assets:

In accordance with Ind AS 109, the Company applies expected credit loss [ECL] model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a Financial assets that are debt instruments, and are measured at amortised cost
- b Trade receivables or any contractual right to receive cash or another financial asset
- c Financial assets that are debt instruments and are measured as at FVTOCI

The Company follows 'simplified approach' for recognition of impairment loss allowance on point c provided above.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it requires the Company to recognise the impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12 month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

The 12 month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date. ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive [i.e., all cash shortfalls], discounted at the original EIR.

ECL impairment loss allowance [or reversal] recognized during the period is recognized as income/ expense in the statement of profit and loss.

The balance sheet presentation for various financial instruments is described below:

Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet, which reduces the net carrying amount.

Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics.

B Financial liabilities:

a Initial recognition and measurement:

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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Note: 2-Significant Accounting Policies-Continued:**b Subsequent measurement:**

Subsequently all financial liabilities are measured as amortised cost except for financial guarantee contracts, as described below:

Loans and borrowings:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method.

Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

c Derecognition:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

d Embedded derivatives:

An embedded derivative is a component of a hybrid [combined] instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative.

Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

C Reclassification of financial assets and financial liabilities:

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model as per Ind AS 109.

D Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.



Note: 2-Significant Accounting Policies-Continued:**21 Convertible Preference Shares:**

Convertible preference shares are separated into liability and equity components based on the terms of the contract. On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost [net of transaction costs] until it is extinguished on conversion or redemption.

For the part of the convertible preference shares that meets the Ind AS 32 criteria for fixed to fixed classification are recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

22 Fair Value Measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a In the principal market for the asset or liability,
- b In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- a Level 1 — Quoted [unadjusted] market prices in active markets for identical assets or liabilities
- b Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- c Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation [based on the lowest level input that is significant to the fair value measurement as a whole] at the end of each reporting period.

23 Business combinations and goodwill:

- A** In accordance with Ind AS 101 provisions related to first time adoption, the Company has elected to apply Ind AS accounting for business combinations prospectively from 1 April 2016. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward without any adjustment.
- B** Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value. Acquisition related costs are expensed as incurred.
- C** At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However,
 - Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 "Income Tax" and Ind AS 19 "Employee Benefits" respectively.
- D** When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.
- E** Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 "Financial Instruments", is measured at fair value with changes in fair value recognised in statement of profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.
- F** Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.
- G** After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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Note: 2-Significant Accounting Policies-Continued:

- H** A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.
- I** Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.
- J** Wherever any business combination is governed by the Scheme approved by the Hon'ble High Court/ relevant government authority, the business combination is accounted for as per the accounting treatment sanctioned in the Scheme.
- K** Goodwill arising on Amalgamation is amortised over the period as provided in the Scheme of Amalgamation, as approved by the Hon'ble High Court or relevant government authority.

24 Earnings per Share:

Basic earnings per share are calculated by dividing the net profit or loss [excluding other comprehensive income] for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue, bonus element in a right issue, shares split and reverse share splits [consolidation of shares] that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss [excluding other comprehensive income] for the year attributable to equity share holders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

B Standards issued but not yet effective:

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7 "Statement of Cash Flows" and Ind AS 102 "Share-based Payments". These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7 "Statement of Cash Flows" and IFRS 2 "Share-based Payments", respectively. The amendments are applicable to the Company from April 1, 2017.

Amendment to Ind AS 7:

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Company is evaluating the requirements of the amendment and its effect on the financial statements.

Amendment to Ind AS 102:

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards.

Market-based performance conditions and non-vesting conditions are reflected in the "fair values", but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that include a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement. This amendment does not apply to the Company.

ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 3-Fixed Assets:

A Property, Plant and Equipment:

INR-Millions

	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office Equipment	Total
Gross Block:								
As at April 1, 2015	-	-	-	-	-	-	-	-
Acquired under the Scheme [*]	126	289	490	410	24	9	2	1,350
Additions	-	-	3	16	-	-	-	19
As at March 31, 2016	126	289	493	426	24	9	2	1,369
Acquired under the Scheme [**]	-	2	26	378	7	39	5	457
Additions	947	77	1,297	996	1	13	22	3,353
Disposals	-	-	-	(10)	-	(11)	-	(21)
As at March 31, 2017	<u>1,073</u>	<u>368</u>	<u>1,816</u>	<u>1,790</u>	<u>32</u>	<u>50</u>	<u>29</u>	5,158
Depreciation and Impairment:								
As at April 1, 2015	-	-	-	-	-	-	-	-
Acquired under the Scheme [*]	-	-	-	-	-	-	-	-
Depreciation for the year	-	1	1	15	-	-	-	17
As at March 31, 2016	-	1	1	15	-	-	-	17
Depreciation for the year	-	4	18	160	4	8	4	198
Disposals	-	-	-	(9)	-	(4)	-	(13)
As at March 31, 2017	-	<u>5</u>	<u>19</u>	<u>166</u>	<u>4</u>	<u>4</u>	<u>4</u>	202
Net Block:								
As at April 1, 2015	-	-	-	-	-	-	-	-
As at March 31, 2016	126	288	492	411	24	9	2	1,352
As at March 31, 2017	<u>1,073</u>	<u>363</u>	<u>1,797</u>	<u>1,624</u>	<u>28</u>	<u>46</u>	<u>25</u>	4,956

B Intangible Assets:

	Goodwill	Other Intangible Assets				Total
		Brands/ Trademarks	Computer Software	Commercial Rights	Technical Know-how	
Gross Block:						
As at April 1, 2015	-	-	-	-	-	-
Acquired under the Scheme [*]	46,008	-	15	-	-	15
Additions	-	578	-	-	11	589
As at March 31, 2016	46,008	578	15	-	11	604
Acquired under the Scheme [**]	-	4	-	31	-	35
Additions	-	5,007	12	-	16	5,035
As at March 31, 2017	<u>46,008</u>	<u>5,589</u>	<u>27</u>	<u>31</u>	<u>27</u>	5,674
Amortisation and Impairment:						
As at April 1, 2015	-	-	-	-	-	-
Acquired under the Scheme [*]	-	-	9	-	-	9
Amortisation for the year	665	1	-	-	-	1
As at March 31, 2016	665	1	9	-	-	10
Amortisation for the year	4,601	211	5	5	2	223
As at March 31, 2017	<u>5,266</u>	<u>212</u>	<u>14</u>	<u>5</u>	<u>2</u>	233
Net Block:						
As at April 1, 2015	-	-	-	-	-	-
As at March 31, 2016	45,343	577	6	-	11	594
As at March 31, 2017	<u>40,742</u>	<u>5,377</u>	<u>13</u>	<u>26</u>	<u>25</u>	5,441

Depreciation, Amortisation and Impairment expenses:

Depreciation [includes depreciation on assets acquired under the scheme]

Amortisation [includes amortisation of assets acquired under the scheme]

Impairment

Total

INR-Millions	
Year ended March 31	
2017	2016
198	17
4,824	665
-	-
5,022	682

Notes:

1 Additions of INR 77 Millions [Previous Year: INR Nil] in research assets during the year are included in "Additions" under the respective heads of

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 3-Fixed Assets - Continued:

Gross Block of Tangible assets as above.

2 Capital expenditure on Research and Development is INR 77 Millions [Previous Year: INR Nil].

3 Legal titles of some of the immovable properties acquired pursuant to Scheme of Amalgamation of Biochem Pharmaceutical Industries Limited and acquired pursuant to Scheme of Arrangement of Cadila Healthcare Limited with the Company are in the process of being transferred in the name of the Company.

[*] Refer Note No. 45 and 46

[**] Refer Note No. 47

	Face Value [*]	Nos. [**]	INR-Millions		
			As at		
			March 31, 2017	March 31, 2016	April 1, 2015

Note: 4-Investments [Non-Current]:

Investments - Others:					
Investments in Equity Instruments			18	9	-
Investment in Fixed Capital of Partnership Firm [*]			-	-	860
			18	9	860
A Details of Investments - Others [Valued at fair value through OCI]:					
Investment in Equity Instruments [Quoted]:					
In fully paid-up Equity Shares of:					
Reliance Industries Limited [INR 229,541/-] ^	10	174	-	-	-
Cairns India Limited	10	57,750	18	9	-
Tanla Solution Limited [INR 97,755/-] ^	1	2,026	-	-	-
Total [Aggregate Book Value of Investments]			18	9	-
B a i Aggregate amount of quoted investments			18	9	-
ii Market value of quoted investments			18	9	-
b Aggregate amount of unquoted investments			-	-	860
C Explanations:					
a In "Face Value [*]", figures in Indian Rupees unless stated otherwise.					
b In "Nos. [**]" figures of previous year are same unless stated in [] { }.					
c [] ^ Figures in bracket denote amount in Rupees.					
[*] Refer Note No. 45					

Note: 5-Other Financial Assets:

[Unsecured, Considered Good unless otherwise stated]					
Security Deposits			177	25	-
Others			83	-	-
Total			260	25	-

Note: 6-Other Non-Current Assets:

[Unsecured, Considered Good unless otherwise stated]					
Capital Advances			217	51	-
Alternate Minimum Tax Credit Entitlement			3,135	3,135	-
Balances with Statutory Authorities			6	10	-
Total			3,358	3,196	-

Note: 7-Current Tax Assets [Net]:

Advance payment of Tax [Net of provision for taxation of INR 65 {as at March 31, 2016: INR 63 (as at April 1, 2015: INR Nil)} Millions]			20	12	1
Total			20	12	1

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

	INR-Millions		
	As at		
	March 31, 2017	March 31, 2016	April 1, 2015
Note: 8-Inventories:			
[The Inventory is valued at lower of cost and net realisable value]			
Classification of Inventories: [includes acquired under the Scheme]			
Raw Materials	642	488	-
Work-in-progress	59	18	-
Finished Goods	1,312	705	-
Stock-in-Trade	999	46	-
Others:			
Packing Materials	130	86	-
Total	3,142	1,343	-
A Amount recognised as an expense in the Statement of Profit and Loss resulting from write down of inventory [net of reversal]	23	-	-
B The above includes Goods in transit as under:			
Raw Materials	58	9	-
Finished Goods	-	16	-
Packing Materials	-	5	-
Note: 9-Investments [Current]:			
Investment in Current Capital of Partnership Firm [Refer Note No. 45]	-	-	200
Total	-	-	200
Note: 10-Trade Receivables:			
Secured - Considered good	2	7	-
Unsecured - Considered good	2,663	1,370	-
Unsecured - Considered doubtful	53	10	-
	2,718	1,387	-
Less: Impairment allowances	53	10	-
Total	2,665	1,377	-
Note: 11-Cash and Cash Equivalents:			
Balances with Banks [*]	203	235	1
Cash on Hand	1	1	-
Total	204	236	1
[*] Earmarked balances with banks:			
A Balances with Banks include:			
i Balances to the extent held as margin money deposits against Guarantee	9	8	-
B Bank deposits with maturity of more than 12 months	-	-	-
C Company keeps fixed deposits with the Nationalised/ Scheduled banks, which can be withdrawn by the company as per its own discretion/ requirement of funds.			
D There are no amounts of cash and cash equivalent balances held by the entity that are not available for use by the Company.			
In accordance with MCA notification G.S.R. 308 (E) dated March 30, 2017 details of Specified Bank Notes [SBN] and Other Denomination Notes [ODN] held and transacted during the period from November 8, 2016 to December 30, 2016 is given below:			
Particulars	Total	SBN	ODN
Closing cash on hand as on November 8, 2016	2	1	1
Permitted receipts	2	-	2
Permitted payments	(2)	-	(2)
Amount deposited in banks	(1)	(1)	-
Closing cash on hand as on December 30, 2016	1	-	1

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

	INR-Millions		
	As at		
	March 31, 2017	March 31, 2016	April 1, 2015
Note: 12-Other Current Assets:			
[Unsecured, Considered Good]			
Balances with Statutory Authorities	266	90	-
Advances to Suppliers	156	140	-
Income Receivable [INR156,129/- {Previous Year: INR Nil}]	-	-	-
Interest Receivable [INR 251,975/- {Previous Year: INR Nil}]	-	-	-
Export Incentive Receivables	13	9	-
Prepaid Expenses	28	3	-
Other Advances	2,131	8	-
Total	2,594	250	-
Note: 13-Equity Share Capital:			
Authorised:			
3,100,000 [as at March 31, 2016: 1,100,000 {as at April 1, 2015: 50,000}] [*] Equity Shares of INR 100/- each	310	110	5
2,000,000 [as at March 31, 2016: Nil {as at April 1, 2015: Nil}] [*] Redeemable Preference Shares of INR 10/- each	20	-	-
132,600,000 [as at March 31, 2016: Nil {as at April 1, 2015: Nil}] 8% Optionally Convertible Non-Cumulative Redeemable Preference Shares of INR 100/- each	13,260	-	-
	13,590	110	5
Issued, Subscribed and Paid-up:			
1,938,242 [as at March 31, 2016: 48,000 {as at April 1, 2015: 24,000}] Equity Shares of INR 100/- each	194	5	2
123,650,000 [as at March 31, 2016: Nil {as at April 1, 2015: Nil}] 8% Optionally Convertible Non-Cumulative Redeemable Pref. Shares of INR 100/- each	12,365	-	-
Total	12,559	5	2
A The reconciliation in number of Equity shares is as under:			
Number of shares at the beginning of the year	48,000	24,000	24,000
Add: Issued Bonus Shares during the year	-	24,000	-
Add: Issued pursuant to Scheme of Amalgamation [Refer Note No. 45]	1,890,242	-	-
Number of shares at the end of the year	1,938,242	48,000	24,000
The reconciliation in number of Optionally Conv. Non-Cumu. Rede. Pref. Shares shares is as under:			
Number of shares at the beginning of the year	-	-	-
Add: Shares Issued during the year	123,650,000	-	-
Number of shares at the end of the year	123,650,000	-	-
B The Company has only one class of equity shares having a par value of INR 100/- per share. Each holder of equity share is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting, except in the case of interim dividend. In the event of liquidation of the Company, the equity shareholders shall be entitled to proportionate share of their holding in the assets remaining after distribution of all preferential amounts.			
C Details of Shareholder holding more than 5% of aggregate Equity Shares of INR 100/- each, fully paid:			
Cadila Healthcare Limited and its nominees:			
Number of Shares	1,938,242	48,000	24,000
% to total share holding	100.00%	100.00%	100.00%
[*] Refer Note No. 45 and 46			

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

	INR-Millions	
	As at	
	March 31, 2017	March 31, 2016

Note: 14-Other Equity:

Other Reserves:

General Reserve: [*]

Balance as per last Balance Sheet	233	101
Less: Amount utilised for issue of Bonus Shares	-	(2)
Add: Acquired under the Scheme [Refer Note No. 45] [**]		134
Add: Transfer from Share Capital Suspense Account	41,322	-
Less: Stamp duty paid on issue of Equity and Preference Shares	(49)	-
	41,506	233
Less: Dividends:		
Dividends	3,001	-
Corporate Dividend Tax on Dividend	611	-
	3,612	-

Balance as at the end of the year

37,894 233

Fair Value through Other Comprehensive Income [FVTOCI] Reserve: [#]

Balance as per last Balance Sheet	-	849
Add: Gain/ (Loss) on revaluation of Inv. In Partnership Firm	-	(846)
[Less]/ Add: [Debited]/ Credited during the year	9	(3)
	9	-

Share Capital Suspense Account [Refer Note No. 45 and 46]

Balance as per last Balance Sheet	47,100	-
Add: Share Capital pending for Allotment	-	47,100
Less: Transferred to General Reserve on issue of shares as per Scheme	(41,322)	-
Less: Shares issued pursuant Scheme of Amalgamation [Refer Note No. 45]	(214)	-
	5,564	47,100

Retained Earnings:

Balance as per last Balance Sheet	(49)	110
Add: Profit for the year	1,008	26
	959	136
Less: Items of Other Comprehensive Income recognised directly in Retained Earnings:		
Re-measurement gains/ [losses] on defined benefit plans [net of tax]	(87)	(1)
Less: Dividends:		
Dividends	-	153
Corporate Dividend Tax on Dividend	-	31
	-	184
Balance as at the end of the year	872	(49)

Total

44,339 47,284

[*] General Reserve can be used for the purposes and as per guidelines prescribed in the Companies Act, 2013.

[**] Refers to Capital Investment Subsidy Scheme

[#] The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVTOCI reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 15-Borrowings:

	INR-Millions					
	Non-current portion			Current Maturities		
	As at			As at		
	March 31, 2017	March 31, 2016	April 1, 2015	March 31, 2017	March 31, 2016	April 1, 2015
From Related Parties [Unsecured] [*]	200	330	-	-	-	-
Total	200	330	-	-	-	-
[*] Details of Borrowings from Related Parties [Refer Note No. 39 A for relationship] are as under:						
a Cadila Healthcare Limited	-	130	-	-	-	-
b Dialforhealth India Limited	200	200	-	-	-	-

[*] Borrowings from Related Parties carry interest at SBI bank rate + 0.50% on quarterly basis and have tenure of 3 years from the expiry of original agreement with an option to the Company to prepay the loan at any time during the tenure of loan without any penalty.

	INR-Millions		
	As at		
	March 31, 2017	March 31, 2016	April 1, 2015

Note: 16-Other Financial Liabilities:

Trade Deposits	45	-	-
8% Non-Cumulative Redeemable Preference Shares [*] [Refer Note No. 45]	25	-	-
Others	114	-	-
Total	184	-	-
[*] 254,460 Shares of INR 100/- each [Authorised Share Capital: 300,000 Shares of INR 100/- each]			

Note: 17-Provisions:

Provision for Employee Benefits	649	32	-
Total	649	32	-

Defined benefit plan and long term employment benefit

A General description:

Leave wages [Long term employment benefit]:

The leave encashment scheme is administered through Life Insurance Corporation of India's Employees' Group Leave Encashment cum Life Assurance [Cash Accumulation] Scheme. The employees of the company are entitled to leave as per the leave policy of the Company. The liability on account of accumulated leave as on last day of the accounting year is recognised [net of the fair value of plan assets as at the balance sheet date] at present value of the defined obligation at the balance sheet date based on the actuarial valuation carried out by an independent actuary using projected unit credit method.

Gratuity [Defined benefit plan]:

The Company has a defined benefit gratuity plan. Every employee who has completed continuous services of five years or more gets a gratuity on death or resignation or retirement at 15 days salary [last drawn salary] for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

	INR-Millions					
	As at			As at		
	March 31, 2017		Gratuity	March 31, 2016		Gratuity
	Medical Leave	Leave Wages		Medical Leave	Leave Wages	
B Change in the present value of the defined benefit obligation:						
Opening defined benefit obligation	-	30	60	-	-	-
Acquired under the Scheme [*]	50	261	421	-	30	58
Interest cost	4	20	35	-	-	1
Current service cost	2	110	54	-	1	1
Benefits paid	-	(8)	(46)	-	(1)	(1)
Actuarial [gains]/ losses on obligation	11	(54)	110	-	-	1
Closing defined benefit obligation	67	359	634	-	30	60
C Change in the fair value of plan assets:						
Opening fair value of plan assets	-	-	49	-	-	-
Acquired under the Scheme [*]	-	61	297	-	-	48
Expected return on plan assets	-	7	26	-	-	1

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 17-Provisions-Continued:

INR-Millions

As at

	March 31, 2017			March 31, 2016		
	Medical Leave	Leave Wages	Gratuity	Medical Leave	Leave Wages	Gratuity
Return of plan assets excluding amounts included in interest income	-	(3)	(1)	-	-	-
Contributions by employer	-	-	66	-	-	1
Benefits paid	-	-	(46)	-	-	(1)
Actuarial [losses]/ gains	-	-	-	-	-	-
Closing fair value of plan assets	-	65	391	-	-	49
Total actuarial [losses]/ gains to be recognised	(11)	51	(111)	-	-	(1)
D Actual return on plan assets:						
Expected return on plan assets	-	7	26	-	-	1
Actuarial [losses]/ gains on plan assets	-	(3)	(1)	-	-	-
Actual return on plan assets	-	4	25	-	-	1
E Amount recognised in the balance sheet:						
Liabilities/ [Assets] at the end of the year	67	359	634	-	30	60
Fair value of plan assets at the end of the year	-	(65)	(391)	-	-	(49)
Difference	67	294	243	-	30	11
Liabilities/ [Assets] recognised in the Balance Sheet	67	294	243	-	30	11
F Expenses/ [Incomes] recognised in the Statement of Profit and Loss:						
Current service cost	2	110	54	-	1	1
Interest cost on benefit obligation	4	20	35	-	-	1
Expected return on plan assets	-	(7)	(26)	-	-	(1)
Return of plan assets excluding amounts included in interest income	-	(3)	(1)	-	-	-
Net actuarial [gains]/ losses in the year	11	(51)	-	-	-	1
Amount Included in "Employee Benefit Expense"	17	69	62	-	1	2
Return of plan assets excluding amounts included in interest income	-	-	111	-	-	-
Net actuarial [gains]/ losses in the year	-	-	111	-	-	-
Amounts recognized in OCI	-	-	-	-	-	-
G Movement in net liabilities recognised in Balance Sheet:						
Opening net liabilities	-	30	11	-	-	-
Acquired under the Scheme [#]	50	261	421	-	30	58
Expenses as above [P & L Charge]	17	69	62	-	1	2
Employer's contribution	-	(58)	(205)	-	-	(48)
Amount recognised in OCI	-	-	-	-	-	-
Benefits Paid	-	(8)	(46)	-	(1)	(1)
Liabilities/ [Assets] recognised in the Balance Sheet	67	294	243	-	30	11
H Principal actuarial assumptions for defined benefit plan and long term employment benefit plan:						
Particulars	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
Discount rate [\$]	6.95%		7.80%		7.80%	
Annual increase in salary cost [#]	12% for 1st 4 years, 9% thereafter		12% for 1st 5 years, 9% thereafter		7.50% for all years	
<p>[\$] The rate of discount is considered based on market yield on Government Bonds having currency and terms in consistence with the currency and terms of the post employment benefit obligations.</p> <p>[#] The estimates of future salary increases are considered in actuarial valuation, taking into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.</p>						
I The categories of plan assets as a % of total plan assets are:						
Insurance Plan	0.00%	100.00%	95.00%	0.00%	100.00%	100.00%
Bank Balance	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 17-Provisions-Continued:

J Amount recognised in current and previous four years: []**

Gratuity:

Defined benefit obligation
Fair value of Plan Assets
Deficit/ [Surplus] in the plan
Actuarial Loss/ [Gain] on Plan Obligation
Actuarial Loss/ [Gain] on Plan Assets

INR-Millions		
As at March 31		
2017	2016	2015
634	60	-
391	49	-
243	11	-
110	1	-
(1)	-	-

The expected contributions for Defined Benefit Plan for the next financial year will be in line with FY 2016-17.

[*] Refer Note No. 45, 46 and 47

[**] Not applicable for previous years due to absence of the eligible employees.

The average duration of the defined benefit plan obligation at the end of the reporting period is 22.8 to 28.9 years [as at March 31 2016: 23.0 to 28.3 years]

Sensitivity analysis:

A quantitative sensitivity analysis for significant assumption as is as shown below:

A Medical Leave:

	As at			
	March 31, 2017		March 31, 2016	
Assumption	Discount rate			
Sensitivity Level	0.5% increase:	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation [INR-Millions]	(3)	3	0	0
Assumption	Annual increase in salary cost			
Sensitivity Level	0.5% increase:	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation [INR-Millions]	3	(3)	0	0

B Leave Wages:

	As at			
	March 31, 2017		March 31, 2016	
Assumption	Discount rate			
Sensitivity Level	0.5% increase:	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation [INR-Millions]	(9)	9	(1)	0
Assumption	Annual increase in salary cost			
Sensitivity Level	0.5% increase:	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation [INR-Millions]	9	(9)	0	(1)

C Gratuity:

	As at			
	March 31, 2017		March 31, 2016	
Assumption	Discount rate			
Sensitivity Level	0.5% increase:	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation [INR-Millions]	(18)	20	(1)	1
Assumption	Annual increase in salary cost			
Sensitivity Level	0.5% increase:	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation [INR-Millions]	18	(17)	1	(1)

The following payments are expected contributions to the defined benefit plan in future years:

	INR-Millions	
	As at March 31	
	2017	2016
Within the next 12 months [next annual reporting period]	102	11
Between 2 and 5 years	292	31
Between 5 and 10 years	267	26
Beyond 10 years	-	-
Total expected payments	661	68

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 18-Deferred Tax:

A Break up of Deferred Tax Liabilities and Assets into major components of the respective balances are as under:

	INR-Millions					
	As at April 1 2015	Acquired under the Scheme [*]	Charge for the previous year	As at March 31 2016	Charge for the current year	As at March 31 2017
	Deferred Tax Liabilities:					
Depreciation	-	45	1,887	1,932	2,087	4,019
Deferred Tax Assets:						
Employee benefits	-	11	-	11	236	247
Provision for Bad and Doubtful Debts	-	2	1	3	16	19
Provision for Expiry and Breakages	-	11	(1)	10	19	29
Unabsorbed depreciation	-	-	1,734	1,734	1,364	3,098
Others	-	6	1	7	(6)	1
Total	-	30	1,735	1,765	1,629	3,394
Net Deferred Tax Liabilities:	-	15	152	167	458	625

B The Net Deferred Tax Liabilities of INR 458 [Previous Year: INR 152] Millions for the year has been provided in the Statement of Profit and Loss.

C The Company has tax losses which arose in India of Rs. 8,950 Millions [PY :5,009 Millions] that are available for off setting against future taxable profits of the Company. Unabsorbed Depreciation is allowed to be set off for indefinite period. AMT Credit not recognised as at March 31, 2017 is Rs. 423 Millions

[*] Refer Note No. 45 and 46

	INR-Millions		
	As at		
	March 31, 2017	March 31, 2016	April 1, 2015

Note: 19-Borrowings:

Others: [Unsecured]			
From Related Party:			
Cadila Healthcare Limited [*]	-	4,504	-
Total	-	4,504	-

[*] Includes INR 3,621 Millions in previous year which has been converted into loan from current capital balance of Cadila Healthcare Limited as on February 2, 2016 in the books of the Company. **[Refer Note No. 45]**

Note: 20-Trade Payables:

Micro, Small and Medium Enterprises [*]	40	10	-
Others	4,289	836	-
Total	4,329	846	-

[*] Disclosure in respect of Micro, Small and Medium Enterprises:

- A** Principal amount remaining unpaid to any supplier as at year end
- B** Interest due thereon
- C** Amount of interest paid by the Company in terms of section 16 of the MSMED Act, along with the amount of the payment made to the supplier beyond the appointed day during the year
- D** Amount of interest due and payable for the year of delay in making payment [which have been paid but beyond the appointed day during the year] but without adding the interest specified under the MSMED Act
- E** Amount of interest accrued and remaining unpaid at the end of the accounting year
- F** Amount of further interest remaining due and payable in succeeding years

The above information has been compiled in respect of parties to the extent to which they could be identified as Micro, Small and Medium Enterprises on the basis of information available with the Company.

	40	10	-
	3	1	-
	3	-	-
	-	-	-
	-	1	-
	-	-	-

Note: 21-Other Financial Liabilities:

Interest accrued but not due on borrowings	-	54	-
Bank Book Overdraft	335	227	-
Provision for Expenses	354	61	-
Total	689	342	-

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 22-Other Current Liabilities:			
Advances from customers	37	14	-
Payable to Statutory Authorities	212	85	-
Others	6	7	-
Total	255	106	-
Note: 23-Provisions:			
Provision for Employee Benefits	27	43	-
Provision for claims for product expiry and return of goods [*]	84	52	-
Total	111	95	-
[*] Provision for claims for product expiry and return of goods:			
a Provision for product expiry claims in respect of products sold during the year is made based on the management's estimates considering the estimated stock lying with retailers. The Company does not expect such claims to be reimbursed by any other party in future.			
b The movement in such provision is stated as under:			
i Carrying amount at the beginning of the year	52	-	-
ii Acquired under the Scheme [Refer Note No. 45, 46 and 47]	40	22	-
iii Additional provision made during the year	44	30	-
iv Amount used	52	-	-
v Carrying amount at the end of the year	84	52	-
Note: 24-Current Tax Liabilities [Net]:			
Provision for Taxation [Net of advance payment of tax of INR 20 {as at March 31, 2016: INR Nil (as at April 1, 2015: INR Nil)} Millions]	65	33	-
Total	65	33	-
Note: 25-Contingent Liabilities and Commitments [to the extent not provided for]:			
A Contingent Liabilities:			
a Claims against the Company not acknowledged as debts	25	4	-
- Net of advance of	-	-	-
- Includes in respect of Amalgamated [*] Companies	25	4	-
b In respect of guarantees given by Banks and/ or counter guarantees given by the Company	50	7	-
- Includes in respect of Amalgamated [*] Companies	50	7	-
c Other money for which the company is contingently liable:			
i In respect of the demands raised by the Central Excise, State Excise & Service Tax Authority	461	459	-
- Net of advance of	25	23	-
- Includes in respect of Amalgamated [*] Companies	461	459	-
ii In respect of the demands raised by the Ministry of Chemicals & Fertilizers, Govt. of India under Drug Price Control Order, 1979/ 1995 for difference in actual price and price of respective bulk drug allowed while fixing the price of certain formulations and disputed by the Company, which the Company expect to succeed based on the legal advice	169	70	-
- Net of advance of	121	1	-
- Includes in respect of Amalgamated [*] Companies	169	70	-
iii In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals/ Courts	19	20	-
- Net of advance of	1	-	-
- Includes in respect of Amalgamated [*] Companies	19	20	-
iv In respect of Sales Tax matters pending before appellate authorities/ Court which the Company expects to succeed, based on decisions of Tribunals/ Courts	2	5	-
- Net of advance of	-	1	-
- Includes in respect of Amalgamated [*] Companies	2	5	-
v Letters of Credit for Imports	-	-	-
vi The Company has imported certain capital equipment at concessional rate of custom duty under "Export Promotion of Capital Goods Scheme" of the Central Government. The Company has undertaken an incremental export obligation to the			
- extent of US \$ Millions	1.27	-	-
- equivalent to INR Millions Approx.	82.26	-	-

ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 25-Contingent Liabilities and Commitments [to the extent not provided for]- Continued:

to be fulfilled during a specified period as applicable from the date of imports. The unprovided liability towards custom duty payable thereon in respect of unfulfilled export obligations	13.71	-	-
[*] represents contingent liabilities taken over by the Company under the Scheme of Amalgamation of Zydus Healthcare Limited and Biochem Pharmaceutical Industries Limited and Scheme of Arrangement between Zydus Healthcare Limited and Cadila Healthcare Limited.			
B Commitments:			
a Estimated amount of contracts remaining to be executed on capital account and not provided for	431	80	-
- Net of advance of	113	11	-

Note: 26-Interim Dividend :

The Board of Directors, at its meeting held on March 1, 2017, declared and paid dividend of INR 1,500/- per equity share of INR 100/- each.

	INR-Millions	
	Year ended March 31	
	2017	2016

Note: 27-Revenue from Operations:

Sale of Products [Gross]	29,242	1,630
Other Operating Revenues:		
Share of Profit from a Partnership Firm	-	78
Net Gain on foreign currency transactions and translation [*] [Previous Year Loss of INR 76,737/-] [Net of Loss of INR 10 Millions {Previous Year Gain of INR 1,874,651/-}]	1	-
Export Incentives	9	-
Miscellaneous Income	62	3
	72	81
Total	29,314	1,711
[*] includes research related Net Loss on foreign currency transactions and translation [INR 265,008/- {Previous Year: INR Nil}]	-	-

Note: 28-Other Income:

Finance Income:		
Interest Income on Financial Assets measured at Amortised Cost	27	1
Dividend Income:		
From FVTOCI Investments [INR 173,250/- {Previous Year: INR 234,972/-}]	-	-
Total	27	1

Note: 29-Cost of Materials Consumed:

Raw Materials [Pharmaceutical Ingredients]:		
Stock at commencement	385	348
Add: Purchases	4,306	260
	4,691	608
Less: Stock at close	642	385
	4,049	223
Packing Materials consumed	1,405	44
Total	5,454	267

Note: 30-Purchases of Stock-in-Trade:

Purchases of Stock-in-Trade	5,221	-
Total	5,221	-

ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

	INR-Millions	
	Year ended March 31	
	2017	2016
Note: 31-Changes in Inventories:		
Stock at commencement:		
Work-in-progress	18	-
Finished Goods	705	-
Stock-in-Trade	46	-
	769	-
Stock acquired under the Scheme: [Refer Note No. 45, 46 and 47]		
Work-in-progress	8	55
Finished Goods	589	602
Stock-in-Trade	578	46
	1,175	703
Less: Adjusted for Loss on account of Scheme of Amalgamation [Refer Note No. 46]	-	(2)
Less: Stock at close:		
Work-in-progress	59	18
Finished Goods	1,312	705
Stock-in-Trade	999	46
	2,370	769
	(426)	(68)
Differential Excise Duty on Opening and Closing stock of Finished Goods	4	(5)
Total	(422)	(73)
Note: 32-Employee Benefits Expense:		
Salaries and wages	4,112	17
Contribution to provident and other funds [*]	210	2
Staff welfare expenses	55	3
Total	4,377	22
Above expenses includes research related expenses as follows:		
Salaries and wages	60	-
Contribution to provident and other funds	4	-
Staff welfare expenses	4	-
Total	68	-
[*] The Company's contribution towards the defined contribution plan	175	1
The Company makes Provident Fund contributions to defined contribution retirement benefit plans for qualifying employees, as specified under the law. The contributions are paid to the Provident Fund Trust set up by the Company or to the respective Regional Provident Fund Commissioner under the Pension Scheme. The Company is generally liable for annual contribution and any shortfall in the trust fund assets based on the Government specified minimum rate of return and recognises such contribution and shortfall, if any, as an expense in the year it is incurred.		

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

	INR-Millions	
	Year ended March 31	
	2017	2016
Note: 33-Finance Cost:		
Interest expense [*]	310	62
Bank commission & charges [Previous Year: INR 123,519/-]	9	-
Total	319	62
[*] The break up of interest expense into major heads is given below:		
On term loans	19	-
On other loans	267	59
Others	24	3
Total	310	62
Note: 34-Other Expenses:		
Research Materials	23	-
Analytical Expenses	16	-
Consumption of Stores and Spare parts	396	2
Power & Fuel	355	9
Rent [*]	72	1
Repairs to Buildings	15	1
Repairs to Plant and Machinery	68	2
Repairs to Others	19	1
Insurance	75	4
Rates and Taxes [excluding taxes on income]	28	1
Processing Charges	455	-
Commission to Directors	1	-
Traveling Expenses	513	4
Legal and Professional Fees	376	8
Commission on Sales	337	22
Freight and Forwarding on Sales	209	1
Representative Allowances [Previous Year: INR Nil]	691	-
Cost Allocation Charges	-	288
Other Marketing Expenses	1,910	62
Royalty Expenses	166	24
Bad Debts:		
Bad Debts Written off	2	4
Impairment Allowances	34	3
	36	7
Doubtful Advances:		
Less: Transferred from Impairment Allowances [Previous Year: INR Nil]	(2)	-
	(2)	-
Directors' Fees	3	-
Net Loss on disposal of Property, Plant and Equipment [Previous Year: INR 12,711/-] [Net of Gain of INR 185,099/-]	2	-
Donations	1	-
Loss on account of Scheme of Amalgamation [Refer Note No. 46]	-	2
Miscellaneous Expenses [**]	527	22
Total	6,292	461

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

INR-Millions

Year ended March 31

2017

2016

Note: 34-Other Expenses-Continued:

Above expenses includes research related expenses as follows:

Research Materials	23	-
Analytical expenses	8	-
Consumption of Stores and spare parts	89	-
Power & Fuel	8	-
Repairs to Buildings	1	-
Repairs to Plant and Machinery [INR 99,275/-]	-	-
Repairs to Others	2	-
Insurance	1	-
Traveling Expenses	5	-
Legal and Professional fees [INR 184,500/-]	-	-
Miscellaneous Expenses [excluding Depreciation of INR 15 Millions]	71	-
Total	208	-

[*] The Company has taken various residential/ office premises/ godowns under operating lease or leave and license agreement with no restrictions and are renewable/ cancellable at the option of either of the parties. There are no sub-leases. The lease payments recognised under "Rent Expenses" are:

68	1
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[**] Miscellaneous Expenses include:

a Expenditure on Corporate Social Responsibility [CSR] Activities as required u/s 135 of the Companies Act, 2013	6	2
b Payment to the Statutory Auditors [excluding Service Tax]:		
i - As Auditor [Previous Year: INR 300,000/-]	4	-
- For Other Services [INR 193,857/- {Previous Year: INR Nil}]	-	-
- Total	4	-
ii Cost Auditor's Remuneration including fees for other services [excluding Service Tax] [INR 230,000/- {Previous Year: INR Nil}]	-	-

Note: 35-Tax Expenses:

The major components of income tax expense are:

A Statement of Profit and Loss:

Profit and Loss section:

Current income tax:

Current income tax charge	419	28
	419	28

Deferred tax:

Relating to origination and reversal of temporary differences [Refer Note No. 18]	458	152
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Tax expense reported in the Statement of Profit and Loss

877	180
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OCI section:

Tax related to items recognised in OCI during in the year:

Net loss/ (gain) on remeasurements of defined benefit plans	(24)	-
Tax charged to OCI	(24)	-

B Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate:

Profit Before Tax	1,774	205
Enacted Tax Rate in India (%)	34.608%	34.608%
Expected Tax Expenses	614	71
Adjustments for:		
Tax effect due to non-taxable income for tax purposes	-	(27)
Effect of unrecognized deferred tax assets/ liabilities	(181)	104
Effect of non-deductible expenses	78	4
Effect of additional deductions in taxable income	(53)	-
Rate difference due to provision as per Minimum Alternate Tax [MAT]	395	28
Total	239	109
Tax Expenses as per Statement of Profit and Loss	853	180

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 36-Calculation of Earnings per Equity Share [EPS]:

The numerators and denominators used to calculate the basic and diluted EPS are as follows:

A	Profit attributable to Shareholders	INR-Millions	947	26
B	Basic number of Equity Shares outstanding during the year	Numbers	1,938,242	48,000
C	Effect of dilution - Optionally Convertible Preference Shares	Numbers	72,692	-
D	Weighted average number of Equity Shares outstanding during the year	Numbers	2,161,742	353,322
E	Nominal value of equity share	INR	100.00	100.00
F	Basic EPS	INR	437.92	73.59
G	Diluted EPS	INR	451.12	73.59

Note: 37-Segment Information:

The Chief Operating Decision Maker reviews the Company as a single segment, name by "Pharmaceuticals". Therefore, the segment reporting is not applicable in accordance with the provisions of Ind AS 108.

Note: 38-Related Party Transactions:

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

a Holding Company:	Cadila Healthcare Limited
b Partnership Firm: [upto February 1, 2016]	M/s. Zydus Healthcare, Sikkim [#]
c Fellow Subsidiary Companies/ concerns:	
Dialforhealth India Limited	Zydus Pharmaceuticals (USA) Inc. [USA]
Dialforhealth Unity Limited	Nesher Pharmaceuticals (USA) LLC [USA]
Dialforhealth Greencross Limited	Sentynl Therapeutics Inc. [USA]
Zydus Wellness Limited	Zydus Noveltch Inc. [USA]
M/s. Zydus Wellness-Sikkim, a Partnership Firm	Hercon Pharmaceuticals LLC [USA]
Liva Pharmaceuticals Limited	Zydus Healthcare S.A. (Pty) Ltd [South Africa]
Zydus Technologies Limited	Simayla Pharmaceuticals (Pty) Ltd [South Africa]
Biochem Pharmaceutical Industries Limited [#]	Script Management Services (Pty) Ltd [South Africa]
Alidac Pharmaceuticals Limited	Zydus France, SAS [France]
Zydus Lanka (Private) Limited [Sri Lanka]	Zydus Nikkho Farmaceutica Ltda. [Brazil]
Zydus Healthcare Philippines Inc. [Philippines]	Zydus Pharma Japan Co. Ltd. [Japan] [Liquidated during the year]
Zydus International Private Limited [Ireland]	Laboratorios Combix S.L. [Spain]
Zydus Netherlands B.V. [the Netherlands]	Zydus Pharmaceuticals Mexico SA De CV [Mexico]
Z AHL B.V. [the Netherlands]	Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]
Z AHL Europe B.V. [the Netherlands]	Etna Biotech S.R.L. [Italy]
Bremer Pharma GmbH [Germany]	Zydus Worldwide DMCC [Dubai]
Alidac Healthcare (Myanmar) Limited [Myanmar]	Zydus Discovery DMCC [Dubai]
Zydus Healthcare (USA) LLC [USA]	
d Joint Venture Companies of Holding Company:	
Zydus Hospira Oncology Private Limited	Bayer Zydus Pharma Private Limited
Zydus Takeda Healthcare Private Limited	

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 38-Related Party Transactions-Continued :

e Directors:

Dr. Sharvil P. Patel [**]	Chairman
Mr. Anil Matai [**]	Managing Director
Mr. Mukesh M. Patel [*]	Non-Executive Director
Mr. Nitin D. Parekh	Non-Executive Director
Mr. P A Padmanabhan [*]	Non-Executive Director
Mr. Deevyesh J. Radia [**]	Independent Director
Dr. Bhavana S. Doshi [**]	Independent Director

f Enterprises significantly influenced by Promoters of Cadila Healthcare Limited/ Directors:

Cadmach Machinery Company Private Limited [**]	Western Ahmedabad Effluent Conveyance Company Private Limited [**]
M/s. International Tax and Investments Consultants [*]	Pripan Investment Private Limited [**]
M/s. Zydus Hospital LLP [**]	United Networks Private Limited [**]
M/s. Zandra Herbs and Plantations LLP [**]	M/s. C. M. C. Machinery
Zydus Infrastructure Private Limited [**]	Mukesh M. Patel & Co. [*]
Zydus Hospitals and Healthcare Research Private Limited [**]	M/s. Zandra Infrastructure LLP [**]
Zydus Hospitals (Vadodara) Private Limited [**]	Futura Services Private Limited [**]
Zydus Hospitals (Rajkot) Private Limited [**]	
Cadila Laboratories Private Limited [**]	

g Key Management Personnel:

Mr. Anil Matai	Managing Director
Mr. P A Padmanabhan	Chief Financial Officer [Executive Officer]
Mr. Sanjay Kumar Gupta	Company Secretary [Executive Officer]

[*] Upto September 19, 2016

[**] From September 1, 2016

B Transactions with Related Parties:

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

a Details relating to parties referred to in Note 39-A [a, b, c, d & f] above:

Nature of Transactions	Value of the Transactions [INR-Millions]				Enterprises significantly influenced by Directors and/ or their relatives	
	Holding Company/ Fellow Subsidiary Companies		Joint Venture Companies of Holding Company			
	2017	2016	2017	2016	2017	2016
Purchases:						
Goods:						
Cadila Healthcare Limited	449	16	-	-	-	-
Fixed Assets:						
Cadila Healthcare Limited	30	-	-	-	-	-
Cadmach Machinery Company Private Limited	-	-	-	-	50	1
Others	-	-	-	-	-	-
Total	30	-	-	-	50	1
Services:						
Cadila Healthcare Limited	67	-	-	-	-	-
Reimbursement of Expenses paid:						
Cadila Healthcare Limited	1	-	-	-	-	-
Zydus Hospitals and Healthcare Research Private Limited	-	-	-	-	-	-
Total	1	-	-	-	-	-

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 38-Related Party Transactions-Continued:

Nature of Transactions	Value of the Transactions [INR-Millions]					
	Holding Company/ Fellow Subsidiary Companies		Joint Venture Companies of Holding Company		Enterprises significantly influenced by Directors and/ or their relatives	
	2017	2016	Year ended March 31		2017	2016
Sales:						
Goods:						
Cadila Healthcare Limited	252	-	-	-	-	-
Bayer Zydus Pharma Private Limited	-	-	59	9	-	-
Total	252	-	59	9	-	-
Finance:						
Dividend paid:						
Cadila Healthcare Limited	3,003	154	-	-	-	-
Interest paid:						
Cadila Healthcare Limited	267	60	-	-	-	-
Dialforhealth India Limited	20	-	-	-	-	-
Total	287	60	-	-	-	-
Business Purchase: [*]						
Purchase Consideration:						
Cadila Healthcare Limited	693	-	-	-	-	-
Outstanding:						
Payable:						
Cadila Healthcare Limited	1,099	4,564	-	-	-	-
Receivable:						
Bayer Zydus Pharma Private Limited	-	-	17	13	-	-
Cadila Healthcare Limited	-	-	-	-	-	-
Loan payable:						
Cadila Healthcare Limited	-	130	-	-	-	-
Dialforhealth India Limited	200	200	-	-	-	-
Total	200	330	-	-	-	-

b Details relating to persons referred to in Note 39-A [e & g] above:

	INR-Millions	
	Year ended March 31 2017	2016
(i) Salaries and other employee benefits to Chairman, Managing Director and other executive officers	27	-
(ii) Commission and Sitting Fees to Non Executive/ Independent Directors	3	-
	As at	
	March 31, 2017	March 31, 2016
(iii) Outstanding payable to above (i) and (ii)	-	-

[#] Amalgamated with the Company. [Refer Note No. 45 and 46]

[*] [Refer Note No. 47]

ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 41-Financial Risk Management- Continued:

		INR-Millions			
		As at March 31, 2016			
		FVTPL	FVOCI	Amortised Cost	Total
Financial assets:					
Investments:					
Equity instruments			9		9
Non Current Other Financial Assets				25	25
Trade receivables				1,377	1,377
Cash and Cash Equivalents				236	236
Total		-	9	1,638	1,647
Financial liabilities:					
Borrowings [including current maturities and interest accrued but not due]				4,834	4,834
Trade payables				846	846
Other Current Financial Liabilities				342	342
Total		-	-	6,022	6,022
		INR-Millions			
		As at April 1, 2015			
		FVTPL	FVOCI	Amortised Cost	Total
Financial assets:					
Investments:					
Equity instruments			13	1,060	1,060
Cash and Cash Equivalents				1	1
Total		-	13	1,061	1,074
Financial liabilities:					
Borrowings [including current maturities and interest accrued but not due]					-
Trade payables					-
Non Current Other Financial Liabilities					-
Other Current Financial Liabilities					-
Total		-	-	-	-

B Risk Management:

The Company's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

The Company's risk management is done in close co-ordination with the board of directors and focuses on actively securing the Company's short, medium and long-term cash flows by minimizing the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below:

a Credit risk:

Credit risk arises from the possibility that counter party may not be able to settle their obligations as agreed. The Company is exposed to credit risk from investment in preference shares measured at amortised cost, loans and advances to related parties, trade receivables, bank deposits and other financial assets. The Company periodically assesses the financial reliability of the counter party taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivable. Individual customer limits are set accordingly.

- i Investments at Amortised Cost : They are strategic investments in the normal course of business of the company.
- ii Bank deposits : The Company maintains its Cash and cash equivalents and Bank deposits with reputed and highly rated banks. Hence, there is no significant credit risk on such deposits.
- iii Trade Receivable: The Company trades with recognized and credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Company's exposure to bad debts is not significant.
- iv There are no significant credit risks with related parties of the Company. The Company is exposed to credit risk in the event of non-payment by customers. Credit risk concentration with respect to trade receivables is mitigated by the Company's large customer base. Adequate expected credit losses are recognized as per the assessments.

The history of trade receivables shows an allowance for bad and doubtful debts of INR 34 Millions as at March 31, 2017 [INR 3 Millions as at March 31, 2016]. against trade receivables of INR 2,665 Millions [Previous year - INR 1,377 Millions].

b Liquidity risk:

- a Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Company maintains flexibility in funding by maintaining availability under committed facilities.
- b Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which it operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Maturities of financial liabilities:

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 41-Financial Risk Management- Continued:

	INR-Millions				
	< 1 year	1-2 year	2-3 year	> 3 years	Total
As at March 31, 2017					
Non-derivative Financial Liabilities:					
Borrowings [including current maturities and interest]	222				222
Other non current financial liabilities					-
Trade payable	4,329				4,329
Accrued Expenses					-
Unpaid dividend					-
Corporate Guarantees					-
Total	4,551	-	-	-	4,551
As at March 31, 2016					
Non-derivative Financial Liabilities:					
Borrowings [including current maturities and interest]	5,074				5,074
Other non current financial liabilities					-
Trade payable	846				846
Accrued Expenses					-
Unpaid dividend					-
Corporate Guarantees					-
Total	5,920	-	-	-	5,920
As at April 1, 2015					
Non-derivative Financial Liabilities:					
Borrowings [including current maturities and interest]					-
Other non current financial liabilities					-
Trade payable					-
Accrued Expenses					-
Unpaid dividend					-
Corporate Guarantees					-
Total	-	-	-	-	-

c Foreign currency risk:

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's operations in foreign currency creates natural foreign currency hedge. This results in insignificant net open foreign currency exposures considering the volumes and operations of the Company.

Sensitivity:

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments:

	INR-Millions					
	March 31, 2017			March 31, 2016		
	Movement in Rate	Impact on PAT [*]	Impact on Other Equity [*]	Movement in Rate	Impact on PAT [*]	Impact on Other Equity [*]
USD	4.00%	0.04		5.00%		
USD	-4.00%	(0.04)		-5.00%		
Others	5.00%	0.02		5.00%		
Others	-5.00%	(0.02)		-5.00%		

d Interest rate risk:

Liabilities:

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. As at March 31, 2017, the Company is exposed to changes in market interest rates through bank borrowings at variable interest rates. The Company's investments in Fixed Deposits are at fixed interest rates.

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ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 41-Financial Risk Management- Continued:

Sensitivity *:

Below is the sensitivity of profit or loss and equity changes in interest rates:

	Movement in Rate	INR-Millions	
		As at	
		March 31, 2017	March 31, 2016
Interest rates	+0.50%	(34)	(812)
Interest rates	-0.50%	34	812

* Holding all other variables constant

e Price risk:

Exposure:

The Company's exposure to price risk arises from investments in equity and mutual fund held by the Company and classified in the balance sheet as fair value through OCI and at fair value through profit or loss respectively. To manage its price risk arising from investments in equity securities and mutual fund, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

Sensitivity *:

The table below summarises the impact of increases/decreases of the index on the Company's equity and profit for the period.

	Movement in Rate	INR-Millions			
		March 31, 2017		March 31, 2016	
		Impact on PAT	Impact on Other Equity	Impact on PAT	Impact on Other Equity
Equity Instruments [Quoted]					
Increase	+10.00%		2		1
Decrease	-10.00%		(2)		(1)

* Holding all other variables constant

Note: 42-Capital Management:

The Company's capital management objectives are:

- a to ensure the Company's ability to continue as a going concern
- b to provide an adequate return to shareholders
- c maintain an optimal capital structure to reduce the cost of capital.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

	INR-Millions		
	As at		
	March 31, 2017	March 31, 2016	April 1, 2015
Net debts	200	4,888	-
Total equity	56,898	47,289	1,062
Net debt to equity ratio [No. of times]	0.00	0.10	-

Loan covenants:

Under the terms of the major borrowing facilities, the Company is required to comply with the following financial covenants, based on consolidated financial information:

- Total Debt to Equity must be less than 1:2

This is in line with the Company's covenants as agreed with external Lenders.

Note: 43- First Time Adoption of Ind AS:

The accounting policies set out in the note here have been applied in preparing the financial statements for the year ended March 31, 2017, the comparative information presented in these financial statements for the year ended March 31, 2016 and in the preparation of an opening Ind AS balance sheet at April 1, 2015 [the Company's date of transition].

In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies [Accounting Standards] Rules, 2006 [as amended] and other relevant provisions of the Act [Indian GAAP]. An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following notes.

Exemptions and exceptions availed:

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

A Deemed cost:

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for consequential impacts of applying standards other than that of property, plant and equipment. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying values.

Note: 43- First Time Adoption of Ind AS- Continued:**B Leases:**

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material. The Company has elected to apply this exemption for such contracts/ arrangements.

C Designation of previously recognised financial instruments:

Ind AS 101 allows an entity to designate investments in equity instruments at FVOCI on the basis of the facts and circumstances at the date of transition to Ind AS. The Company has elected to apply this exemption for its investment in equity investments [other than investment in subsidiary].

D Estimates:

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP [after adjustments to reflect any difference in accounting policies], unless there is objective evidence that those estimates were in error.

Ind AS estimates as at April 1, 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP.

E Classification of financial assets:

As per the requirements of Ind AS 101 the Company has assessed classification of financial assets on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

F De-recognition of financial assets and liabilities:

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of entity's choosing; provided that the information needed to apply Ind AS 109 to financial assets or financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions. The Company has elected to apply the de-recognition provision of Ind AS 109 prospectively from the date of transition to Ind AS.

G Government Loans:

As per Ind AS 101, if a first-time adopter did not, under its previous GAAP, recognise and measure a government loan at a below-market rate of interest on a basis consistent with Ind AS requirements, it shall use its previous GAAP carrying amount of the loan at the date of transition to Ind AS as the carrying amount of the loan in the opening Ind AS Balance Sheet. An entity shall apply Ind AS 109 to the measurement of such loans after the date of transition to Ind AS.

The Company has applied this exception to the loans from the government authorities existing as at April 1, 2015.

H Long term foreign currency Monetary items:

A first-time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP. The Company has opted for the above exemption for the long-term foreign currency monetary items recognised upto April 1, 2016.

ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Notes to the Financial Statements

Note: 44- Reconciliation with Indian GAAP [IGAAP]:

		INR-Millions	
		As at	
		March 31, 2016	April 1, 2015
A Reconciliation of equity:			
1 Equity as per IGAAP		47,289	138
2 Add/ [Less]: Adjustments:			
a Fair Valuation adjustments for financial assets	1	-	846
b Mark to market adjustments on equity investments	2	(3)	3
c Proposed Dividend including Corporate Dividend Tax	3	(75)	75
d Other adjustments [includes previous year's carried forward adjustments]	4	78	-
e Total		-	924
3 Equity as per Ind AS		47,289	1,062
B Reconciliation of Net Profit for the year ended March 31, 2016:			
1 Net profit as per IGAAP		25	
2 Add/ [Less]: Adjustments in statement of profit and loss			
b Actuarial loss on employee defined benefit plan recognised in OCI	5	1	
3 Net profit before OCI as per Ind AS		26	
4 Add/ [Less]: Adjustments in OCI			
a Actuarial loss on defined benefit plan transferred from statement of profit and loss	5	(1)	
b Mark to market adjustments on equity investments	2	(3)	
c Impact of current and deferred tax on OCI	6	-	
d Total		(4)	
5 Total Comprehensive Income as per Ind AS		22	
1 Fair Valuation adjustments for financial assets:			
<ul style="list-style-type: none"> - Under IGAAP, profit or loss on sale of investments to a subsidiary is recognised to profit or loss for the period. Under Ind AS, such profit or loss is to be considered as additional investment in equity of subsidiary. - Under IGAAP, any amount received back from contingent consideration paid to subsidiary is reduced from the cost of investments. Under Ind AS such is to be considered as profit or loss on investment in profit or loss. - Under IGAAP, loans to subsidiaries/ preference shares from subsidiaries are shown at transaction price. Under Ind AS, such transactions are discounted to their present value using incremental borrowing rate applicable to the borrower entity. The difference between the carrying value of the loan and its present value is accounted based on the relationship with the borrower i.e. as further equity infusion in the subsidiary. The unwinding of discount from the date of loan to the transition date is shown as finance income and recognised in "Retained Earnings". 			
2 Mark to market adjustments on equity investments:			
Under IGAAP, the Company accounted for long term investments in unquoted and quoted equity shares as investment measured at cost less provision for other than temporary diminution in the value of investments. Under Ind AS, the Company has designated such investments as FVTOCI investments. Ind AS requires FVTOCI investments to be measured at fair value. At the date of transition to Ind AS, difference between the instruments fair value and Indian GAAP carrying amount has been recognised as a separate component of equity, in the FVTOCI reserve, net of related deferred taxes.			
3 Proposed Dividend including Corporate Dividend Tax			
Under the previous GAAP, dividends proposed by the board of directors after the balance sheet date but before the approval of the financial statements were considered as adjusting events. Accordingly, provision for proposed dividend was recognised as a liability.			
Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting.			

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Note: 44- Reconciliation with Indian GAAP [IGAAP]-Continued:**4 Other adjustments:****Borrowings:**

Ind AS 109 requires transaction costs incurred towards origination of borrowings to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognised in the profit or loss over the tenure of the borrowing as part of the interest expense by applying the effective interest rate method.

5 Actuarial loss on defined benefit plan:

Both under IGAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under IGAAP, the entire cost, including actuarial gains and losses, are charged to profit or loss. Under Ind AS, re-measurements [comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets excluding amounts included in net interest on the net defined benefit liability] are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI.

6 Others:**Sale of Goods:**

Under the IGAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is presented on the face of the statement of profit and loss as part of expenses.

Other Comprehensive Income:

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss as 'other comprehensive income' include remeasurements of defined benefit plans and fair value gains or (losses) on FVTOCI equity instruments and corresponding tax impact thereon. The concept of other comprehensive income did not exist under previous GAAP.

Statement of Cash Flows:

The transition from IGAAP to Ind AS has not had a material impact on the statement of cash flows.

Note: 45

Pursuant to the Scheme of Amalgamation u/s. 391 to 394 of the Companies Act, 1956 ("Scheme") for amalgamation of Zydus Healthcare Limited ("ZHL"), erstwhile a partnership firm and then converted into a company under Chapter XXI of the Companies Act, 2013, with German Remedies Limited (the Company) as sanctioned by the Hon'ble High Court of Gujarat on March 23, 2016 (effective date), all the assets and liabilities of ZHL were transferred to and vested in the Company with effect from February 2, 2016, the appointed date. The certified copy of order was filed with Registrar of Companies (ROC) at Ahmedabad on April 1, 2016. The Scheme has accordingly been given effect in financial statements of previous reporting period.

The same had been accounted for under the "Purchase Method" as prescribed under Accounting Standard 14 - "Accounting for Amalgamations" (AS 14) issued by the Institute of Chartered Accountants of India and as notified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies Accounts Rules, 2014. Accordingly in compliance of the Scheme, operations of ZHL had been accounted from February 2, 2016, as detailed below in the financial statements of the Company for the previous financial year 2015-16:

- a The business of ZHL had been transferred to the Company on a going concern basis. As per the Scheme duly approved by the High Court, all the assets and liabilities of the Undertaking of ZHL were recorded in the books of the Company at their fair values as determined by the management in consultation with an independent valuer.
- b The Company had to discharge the purchase consideration for the transfer of the assets and liabilities and consequential expected future cash flows from ZHL, as follows:
 - i 1,890,242 equity shares of the Company at fair value, with face value of INR 100/- each at a premium of INR 21,860.70 to Cadila Healthcare Limited, being the equity shareholder of ZHL; and
 - ii 254,460 8% non-cumulative redeemable preference shares of the Company with face value of INR 100/- each, to the remaining equity shareholders of ZHL.
- c As at March 31, 2016, the above referred equity shares and preference shares were pending allotment, for the matter provided in (b), and were therefore, disclosed as Share Capital Suspense Account.
- d The equity shares held by the Company in ZHL stand cancelled and accordingly 200,000 equity shares of INR 100/- each, amounting to INR 20,000,000/- had been cancelled.
- e The difference between the purchase consideration, in terms of (b) above and fair value of assets and liabilities transferred is accounted as Goodwill and same is amortized considering useful life of 10 years.
- f The Authorised Share Capital of ZHL of INR 100 Millions divided into 1,000,000 equity shares of INR 100/- each had been merged with the Authorised Share Capital of GRL. Further, as per the Scheme and upon the Scheme being effective, the Authorised equity share capital and Authorised preference share capital of the Company had increased without any further act, instrument, deed or without passing any resolution. The merger of the Authorised equity share capital had been effected upon approval of the order of the High Court approving the Scheme filed by ZHL with the Ministry of Company Affairs (MCA) and the increase in the Authorised equity share capital and Authorised preference share capital had been effected upon approval of the High Court Order by the MCA.
- g Upon the Scheme becoming effective, ZHL was dissolved without winding up pursuant to the provisions of Section 394 of the Companies Act, 1956.

ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]**Notes to the Financial Statements****Note: 46:**

Pursuant to the Scheme of Amalgamation u/s 230 to 232 of the Companies Act, 2013 for amalgamation of Biochem Pharmaceutical Industries Limited [Biochem], with Zydu Healthcare Limited [the Company] as sanctioned by the Hon'ble National Company Law Tribunal, Ahmedabad Bench [NCLT] vide its order dated March 15, 2017 [Scheme-1], all the assets and liabilities of Biochem were transferred to and vested in the Company with effect from March 31, 2016, the appointed date. The certified true copy of the order was filed with the Registrar of Companies [ROC], Gujarat at Ahmedabad on March 27, 2017 making the Scheme effective. The Scheme-1 has accordingly been given effect in the financial statements from the appointed date.

The same has been accounted for in accordance with the Scheme – 1 under the "Purchase Method" as prescribed under Accounting Standard 14 - "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India and as notified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies Accounts Rules 2014. Accordingly, operations of Biochem have been accounted from March 31, 2016, as detailed below in the financial statements of the Company for the financial year 2016-17.

- a The business of Biochem has been transferred to the Company on a going concern basis. As per the Scheme-1 all the assets and liabilities of Biochem are recorded in the books of the Company at their fair values as determined by the management in consultation with an independent valuer.
- b In accordance with the share exchange ratio mentioned in the Scheme 1, the Company will issue 2,23,500 equity shares of Rs. 100/- each at a premium of Rs. 24,793/- per share to the shareholders of Biochem towards purchase consideration.
- c As at March 31, 2017, the above referred equity shares were pending for allotment, for the matter provided in (b), and are therefore, disclosed as Share Capital Suspense Account (Refer Note 14).
- d The difference between the purchase consideration and fair value of assets and liabilities transferred is accounted as Goodwill.
- e Under Ind AS, goodwill recognized on business combination is not amortized, but is subject to impairment testing at least annually. However, the goodwill arising under Scheme 1 as per (d) above will be amortized considering useful life of 10 years, as provided in the Scheme 1. The accounting treatment provided in the Scheme prevails over the requirements of Ind AS in accordance with the Ministry of Company Affairs notification for Ind AS dated February 16, 2015.
- f The financial results of the previous year ended March 31, 2016 have been restated to account for the effect of the Scheme-1 as one line adjustment in other expenses. Balances of respective assets and liabilities as at March 31, 2016 have been restated to account for the effect of the Scheme-1 in the balance sheet as at March 31, 2016.
- g As per the Scheme – 1, the authorized share capital of Biochem of Rs. 120 Millions divided into 10,000,000 equity shares of Rs. 10/- each and 2,000,000 preference shares of Rs. 10/- each will be merged with the authorized share capital of the Company.

Note: 47:

Pursuant to the Scheme of Arrangement u/s 230 to 232 of the Companies Act, 2013 between Zydu Healthcare Limited [the Company], Cadila Healthcare Ltd., the holding company of the Company [CHL] and their respective shareholders and creditors as sanctioned by the Hon'ble National Company Law Tribunal, Ahmedabad Bench [NCLT] vide its order dated May 18, 2017 [Scheme-2], the India Human Formulations Undertaking [IHFU] of CHL comprising of all the businesses, undertakings, activities, properties and liabilities as specified in the Scheme-2 pertaining to the India Human Formulations Business of CHL was transferred to and vested in the Company on a going concern basis by way of a Slump Sale for a lump sum cash consideration with effect from April 1, 2016, the appointed date. The certified true copy of the order was filed with the Registrar of Companies, Gujarat at Ahmedabad on May 19, 2017 making Scheme – 2 effective.

The Scheme 2 has been accounted for using the "Pooling of Interest Method" as prescribed in Appendix C to Ind AS 103 ["Business combinations"], as notified under the Companies [Indian Accounting Standards] Rules, 2015. Accordingly in compliance of the Scheme-2, the Company has recorded all the assets and liabilities transferred as a part of the IHFU from CHL at their respective book values appearing in the books of CHL as on the close of business hours on March 31, 2016, being the date immediately preceding the appointed date. The financial statement of the current financial year includes the figures pertaining to the IHFU of CHL. The outstanding receivables and payables from CHL, due to implementation of the Scheme 2, are included in the respective balances in Note 12.

Note: 48

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

Signatures to Significant Accounting Policies and Notes 1 to 48 to the Financial Statements

As per our report of even date

For K. S. Aiyar & Co.

Chartered Accountants

Firm Registration Number: 100186W



Raghuvir M. Aiyar

Partner

Membership Number: 038128

Ahmedabad, Dated:

26 MAY 2017

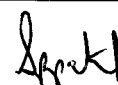


P A Padmanabhan
Chief Financial Officer



Sanjay D Gupta
Company Secretary

For and on behalf of the Board



Dr. Sharvil P. Patel
Chairman



Anil Matai
Managing Director

ZYDUS HEALTHCARE LIMITED [Formerly known as German Remedies Limited]

Cash Flow Statement for the year ended March 31, 2017

Particulars	INR-Millions	
	Year ended March 31	
	2017	2016
A Cash flows from Operating Activities:		
Profit before Tax	1,885	206
Adjustments for:		
Depreciation, Impairment and Amortisation expenses	5,022	683
Loss on disposal of Property, Plant and Equipment [Net]	2	-
Interest Income on Financial Assets measured at Amortised Cost	(27)	(1)
Dividend Income	-	-
Interest Expense	319	62
Bad Debts Written off	2	4
Impairment Allowances for Trade Receivables	34	3
Impairment Allowances for Advances [net of written back]	(2)	-
Provision for Employee Benefits	54	(6)
Provision for claims for product expiry and return of goods	(8)	(2)
Total	5,396	743
Operating profit before working capital changes	7,281	949
Adjustments for:		
[Increase]/ Decrease in Trade Receivables	(376)	85
[Increase] in Inventories	(609)	(106)
Decrease in Financial Assets	127	223
[Increase] in Other Current Assets	(2,319)	(93)
Increase/ [Decrease] in Trade Payables	1,815	(184)
Increase/ [Decrease] in Other Current Liabilities	(539)	(16)
Increase in Other Financial Liabilities	95	-
Total	(1,806)	(91)
Cash generated from Operations	5,475	858
Direct taxes paid [Net of refunds]	(371)	(399)
Net cash from Operating Activities	5,104	459
B Cash flows from Investing Activities:		
Purchase of Property, Plant and Equipment	(9,075)	(609)
Proceeds from disposal of Property, Plant and Equipment	6	-
Decrease in fixed capital of a Partnership Firm (Non-Current Investments)	-	2
Decrease in current capital of a Partnership Firm (Current Investments)	-	38
Interest Received	27	1
Dividend Received	-	-
Net cash used in Investing Activities	(9,042)	(568)
C Cash flows from Financing Activities:		
Proceeds from issue of Optionally Convertible Non-Cumulative Redeemable Preference Shares	12,365	-
Payment towards Stamp Duty on issue of Equity and Preference Shares	(49)	-
Repayment of Long Term Borrowings	(130)	-
Short Term Borrowings [Net]	(4,504)	394
Interest Paid	(371)	(27)
Dividend Paid	(3,003)	(153)
Tax on Dividend paid	(611)	(31)
Net cash used in financing activities	3,697	183
Net [Decrease]/ Increase in Cash and Cash Equivalents	(241)	74
Cash and Cash Equivalents at the beginning of the year	236	1
Cash and Cash Equivalents acquired under the Scheme [Refer Note No. 45, 46 and 47]	209	161
Cash and Cash Equivalents at the end of the year	204	236

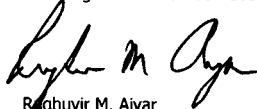
Notes to the Cash Flow Statement

- All figures in brackets are outflows.
- Previous year's figures have been regrouped wherever necessary.
- Cash and Cash Equivalents at the end [beginning] of the year include INR 9 [INR 8] Millions not available for immediate use.
- Cash and Cash Equivalents comprise of:

	As at		
	March 31, 2017	March 31, 2016	April 1, 2015
a Cash on Hand	1	1	-
b Balances with Banks	203	235	1
c Total	204	236	1

As per our report of even date


For K. S. Aiyar & Co.
Chartered Accountants
Firm Registration Number: 100186W

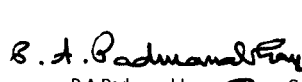

Raghuvir M. Aiyar
Partner


Membership Number: 038128
Ahmedabad, Dated:

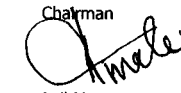
26 MAY 2017

For and on behalf of the Board


Dr. Sharvil P. Patel
Chairman


P. A. Padmanabhan
Chief Financial Officer


Sanjay D. Gupta
Company Secretary


Anil Matai
Managing Director