

INDEPENDENT AUDITOR'S REPORT

To the Members of
Laurus Synthesis Inc

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Laurus Synthesis Inc ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (herein after referred to as "standalone Ind AS financial statements"). These Audited Financial Statements is issued only for the limited purpose of incorporating in Consolidated Financial Statements.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these standalone Ind AS 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 accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Companies Act 2013 ("the Act") read with relevant rules issued thereunder.

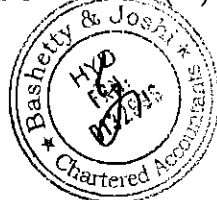
This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS 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 standalone Ind AS 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 of the standalone Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS 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 standalone Ind AS 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 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 standalone Ind AS 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 standalone Ind AS financial statements.

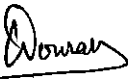
Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone 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, of the state of affairs of the Company as at March 31, 2017, its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

For BASHETTY & JOSHI

Firm Registration Number: 013299S

Chartered Accountants


Gourav Kumar Joshi

Partner

Place: Hyderabad

Date: May 11, 2017



Laurus Synthesis Inc.

Balance Sheet as at March 31, 2017

(All amounts in Rupees except for share data or as otherwise stated)

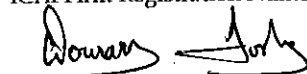
	Notes	March 31, 2017	March 31, 2016	April 01, 2015
ASSETS				
Non Current Assets				
Property, Plant and Equipment	3	63,017,775	70,669,851	4,694,448
Capital work in progress	3	-	-	24,153,155
Financial Assets				
Loans	5A	5,215,857	8,862,089	8,174,358
		<u>68,233,632</u>	<u>79,531,940</u>	<u>37,021,961</u>
Current Assets				
Financial Assets				
Trade receivables	6A	8,911,775	75,315,436	-
Cash and cash equivalents	6B	12,888,050	38,137,459	31,754,257
Other Current Assets				
	5B	5,182,274	8,654,466	6,350,838
		<u>26,982,099</u>	<u>122,107,361</u>	<u>38,105,095</u>
Total Assets		<u>95,215,731</u>	<u>201,639,301</u>	<u>75,127,057</u>
EQUITY and LIABILITIES				
Shareholders' Funds				
Share Capital	7	189,259,750	189,259,750	119,133,000
Other Equity				
Retained earnings	8A	(237,782,269)	(158,932,323)	(54,198,844)
Other reserves	8B	6,625,019	4,892,354	(198,769)
Total Equity		<u>(41,897,500)</u>	<u>35,219,781</u>	<u>64,735,387</u>
Current Liabilities				
Financial Liabilities				
Borrowings	9	129,028,814	132,002,471	-
Trade Payables	10	1,604,391	30,981,005	7,149,433
Other current financial liabilities	11	83,919	-	-
Other current liabilities	12	6,396,107	3,436,044	3,242,236
		<u>137,113,230</u>	<u>166,419,520</u>	<u>10,391,669</u>
Total Equity and Liabilities		<u>95,215,731</u>	<u>201,639,301</u>	<u>75,127,057</u>
Summary of significant accounting policies		2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For Bashetty & Joshi
Chartered Accountants

ICAI Firm Registration Number : 013299S



Gourav Kumar Joshi
Partner

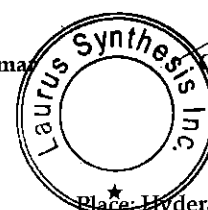
Membership No : 225311


Place: Hyderabad

Date: May 11, 2017

For and on behalf of the Board of Directors
LAURUS SYNTHESIS INC


V V Ravi Kumar
Director




C. Chandrakanth
Director

Place: Hyderabad

Date: May 11, 2017

Laurus Synthesis Inc.

Profit and Loss for the year ended March 31, 2017

(All amounts in Rupees except for share data or as otherwise stated)

	Notes	For the year ended March 31, 2017	For the Year ended March 31, 2016
INCOME			
I. Revenue from Operations (Gross)	13	295,925,049	217,874,093
Other Income		-	-
Total Revenue (I)		295,925,049	217,874,093
EXPENSES			
II. Cost of Materials Consumed	14	20,436,006	37,629,498
Employee Benefits Expenses	15	251,489,288	178,852,408
Other Expenses	16	91,219,207	99,416,830
Total Expenses (II)		363,144,502	315,898,736
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) (I-II)		(67,219,453)	(98,024,643)
Depreciation and Amortisation	3	8,584,633	6,114,056
Finance Expenses	17	3,045,860	594,780
Profit Before Tax		(78,849,946)	(104,733,478)
Tax Expense		-	-
V. Current Tax		-	-
Minimum Alternate Tax credit entitlement		-	-
Deferred Tax Charge/ (Credit)		-	-
Income tax expense /(Credit)		-	-
Profit for the period / year		(78,849,946)	(104,733,478)
VI.			
OTHER COMPREHENSIVE INCOME (OCI)			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains / (losses) on employee defined benefit plans		-	-
Income tax effect		-	-
Total other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		(78,849,946)	(104,733,478)

Summary of Significant Accounting Policies

2.1

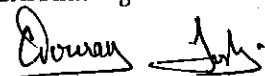
The accompanying notes are an integral part of the financial statements.

As per our report of even date

For Bashetty & Joshi

Chartered Accountants

ICAI Firm Registration Number : 013299S



Gourav Kumar Joshi

Partner

Membership No : 225311

Place: Hyderabad

Date: May 11, 2017

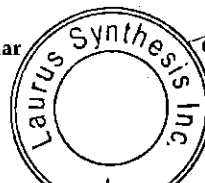
For and on behalf of the Board of Directors

LAURUS SYNTHESIS INC



V V Ravi Kumar

Director





C. Chandrakanth

Director

Place: Hyderabad

Date: May 11, 2017

Laurus Synthesis Inc.

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

(All amounts in Rupees except for share data or as otherwise stated)

a. Equity Share Capital

Equity Shares of \$100 Each, Fully paid up

As at April 01, 2015

Issued during the year

As at March 31, 2016

Issued during the year

As at March 31, 2017

	No.	Rs.
As at April 01, 2015	19,000	119,133,000
Issued during the year	11,000	70,126,750
As at March 31, 2016	30,000	189,259,750
Issued during the year	-	-
As at March 31, 2017	30,000	189,259,750

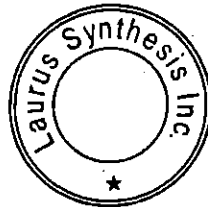
b. Other Equity

	Reserves and surplus			Items of Other Comprehensive Income	
	Capital reserve	Securities Premium	Retained Earnings	FVTOCI reserve	Total OCI (B)
As at April 01, 2015	-	-	-	-	-
Profit for the period	-	-	(54,198,844)	-	-
Other Comprehensive Income	-	-	-	-	-
Total Comprehensive Income	-	-	(54,198,844)	-	-
Received during the year	-	-	-	-	-
At March 31, 2016	-	-	(54,198,844)	-	-
Profit for the period	-	-	(104,733,478)	-	-
Other Comprehensive Income	-	-	-	-	-
Total Comprehensive Income	-	-	(158,932,322)	-	-
Profit for the period	-	-	(78,849,946)	-	-
Received during the year	-	-	-	-	-
At March 31, 2017	-	-	(237,782,268)	-	-

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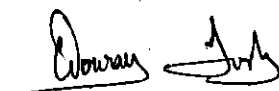
Laurus Synthesis Inc**Cash Flow Statement for the year ended March 31, 2017**

(All amounts in Rupees except for share data as otherwise stated)

Particulars	March 31, 2017	March 31, 2016
Profit Before Tax	(78,849,946)	(104,733,478)
Cash Flow from/ (used in) Operating Activities		
Adjustments for :		
Depreciation of property, plant and equipment	8,584,632	6,114,056
Interest Expense	3,045,860	594,780
Operating Profit Before Working Capital Changes	(67,219,453)	(98,024,643)
Foreign currency translation adjustments	2,250,990	1,315,235
Movement In Working Capital:		
Increase in Trade Receivables	64,705,343	(75,315,436)
Increase/ (Decrease) in Other Non Current Assets	3,446,594	(198,999)
Increase/ (Decrease) in Other Current Assets	3,277,230	(1,923,865)
Increase/(Decrease) in Trade Payables	(28,678,628)	23,404,131
Increase in Other Current Liabilities	3,123,052	-
Cash Generated From Operations	(19,094,872)	(150,743,577)
Direct Taxes paid	-	-
Net Cash Flow from/ (used in) Operating Activities (A)	(19,094,872)	(150,743,577)
Cash Flow Used In Investing Activities		
Purchase of property, plant and equipment, including intangible assets, capital work in progress and capital advances	(2,249,542)	(46,306,142)
Net Cash Flow Used In Investing Activities (B)	(2,249,542)	(46,306,142)
Cash Flow From Financing Activities		
Proceeds from Issue of Equity Shares	-	70,126,750
Interest Paid	(3,045,860)	(594,780)
Net Cash Flow From Financing Activities (C)	(3,045,860)	201,534,441
Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)	(24,390,274)	4,484,720
Cash and Cash Equivalents at the beginning of the year	38,137,459	31,754,257
Effect of exchange differences on cash and cash equivalents	(859,135)	1,898,482
Cash and Cash Equivalents at the end of the year	12,888,050	38,137,459
Notes:		
Components of Cash and Cash Equivalents:		
Balances with banks		
On current accounts	12,888,050	38,137,459
Total Cash and Cash Equivalents	12,888,050	38,137,459

The accompanying notes are an integral part of the financial statements.
As per our report of even date

For Bashetty & Joshi
Chartered Accountants
ICAI Firm Registration Number : 0132995



Gourav Kumar Joshi
Partner
Membership No : 225311


Place: Hyderabad
Date: May 11, 2017

For and on behalf of the Board of Directors
LAURUS SYNTHESIS INC

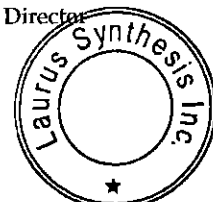


V V Ravi Kumar
Director

Place: Hyderabad
Date: May 11, 2017



C. Chandrakanth
Director



Laurus Synthesis Inc.

Notes to the financial statements for the year ended March 31, 2017

(All amounts in Rupees except for share data or as otherwise stated)

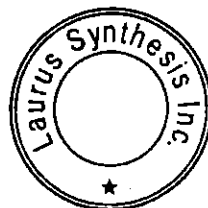
3. Property, plant and equipment

Particulars	Plant and Equipment	Furniture and Fixtures	Computers	Total Property, plant and equipment
Gross Block				
As at April 01, 2014				-
Additions	-	2,463,762	2,358,583	4,822,345
Disposals				-
As at April 01, 2015	-	2,463,762	2,358,583	4,822,345
Additions	66,484,811	2,037,978	3,380,500	71,903,289
Disposals				-
Exchange Difference	-	147,300	141,010	288,311
As at March 31, 2016	66,484,811	4,649,040	5,880,093	77,013,944
Additions	2,361,145	-	-	2,361,145
Disposals			(111,603)	(111,603)
Exchange Difference	(1,497,722)	(104,730)	(132,490)	(1,734,942)
As at March 31, 2017	67,348,234	4,544,310	5,636,000	77,528,544
Depreciation and Impairment				
As at April 01, 2014				-
Charge for the year	-	52,697	75,200	127,897
Disposals				-
As at April 01, 2015	-	52,697	75,200	127,897
Charge for the year	4,648,106	437,797	1,028,153	6,114,056
Disposals				-
Exchange Difference	71,839	9,917	20,385	102,140
As at March 31, 2016	4,719,945	500,411	1,123,737	6,344,093
Charge for the year	6,938,606	489,060	1,156,967	8,584,633
Disposals				-
Exchange Difference	(328,610)	(26,940)	(62,406)	(417,956)
As at March 31, 2017	11,329,941	962,530	2,218,298	14,510,769
Net Block				
As at April 01, 2015	-	2,411,065	2,283,383	4,694,448
As at March 31, 2016	61,764,866	4,148,629	4,756,356	70,669,851
As at March 31, 2017	56,018,293	3,581,780	3,417,702	63,017,775

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Laurus Synthesis Inc.

Notes to the financial statements for the year ended March 31, 2017

(All amounts in Rupees except for share data or as otherwise stated)

5. Financial Assets

A Loans

	March 31, 2017	March 31, 2016	April 01, 2015
Non-Current (unsecured, considered good unless otherwise stated)			
Security Deposits	5,215,857	8,862,089	8,174,358
Total	5,215,857	8,862,089	8,174,358

B Other Assets

	March 31, 2017	March 31, 2016	April 01, 2015
Current (unsecured, considered good unless otherwise stated)			
Prepayments	3,399,212	6,166,982	1,736,629
Others	1,783,062	2,487,484	4,614,209
Total	5,182,274	8,654,466	6,350,838

6A. Trade Receivables

	March 31, 2017	March 31, 2016	April 01, 2015
Trade receivables	8,911,775	75,315,436	-
Total	8,911,775	75,315,436	-

Breakup of security details and more than 6 months overdue:

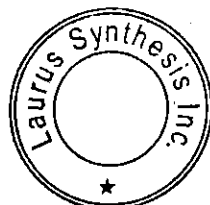
	March 31, 2017	March 31, 2016	April 01, 2015
Outstanding for a period exceeding six months from the date they are due for payment			
Unsecured, Considered Good	-	-	-
Provision for doubtful receivables	-	-	-
Other receivables			
Unsecured, Considered Good	8,911,775	75,315,436	-
Total Trade Receivables	8,911,775	75,315,436	-

Trade receivables are non-interest bearing and are generally on terms of 30 - 90 days.

6B. Cash and cash equivalents

	March 31, 2017	March 31, 2016	April 01, 2015
Cash and Cash Equivalents			
Balances with Banks			
- On Current Accounts	12,888,050	38,137,459	31,754,257
Total	12,888,050	38,137,459	31,754,257

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Laurus Synthesis Inc.

CIN : U24239TG2002PTC038490

Notes to the financial statements for the year ended March 31, 2017

(All amounts in Rupees except for share data or as otherwise stated)

7. Share Capital

	March 31, 2017	March 31, 2016	April 01, 2015
Authorised			
30,000 Equity shares of \$ 100 each	189,259,750	189,259,750	189,259,750
Total	189,259,750	189,259,750	189,259,750
Issued, Subscribed and Paid Up			
30,000 (March 31, 2016 :30,000) Equity share of \$ 100 each fully paid up	189,259,750	189,259,750	119,133,000
Total	189,259,750	189,259,750	119,133,000

7.1. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	March 31, 2017		March 31, 2016		April 01, 2015	
	No.	Rs.	No.	Rs.	No.	No.
Equity Shares of \$.100 Each, Fully paid up						
Balance as per last financial statements	30,000	189,259,750	19,000	119,133,000	19,000	119,133,000
Issued during the period/ year	-	-	11,000	70,126,750	-	-
Outstanding at the end of the period/ year	30,000	189,259,750	30,000	189,259,750	19,000	119,133,000

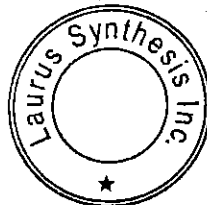
8 Other Equity

	March 31, 2017	March 31, 2016	April 01, 2015
8A Retained Earnings			
Opening balance	(158,932,323)	(54,198,845)	-
Add : Profit for the year	(78,849,946)	(104,733,478)	(54,198,844)
Net surplus in the Statement of profit and loss	(237,782,269)	(158,932,323)	(54,198,844)
8B Foreign currency translation reserve			
Balance as per last financial statements	4,892,354	(198,769)	(198,769)
Current year Foreign Currency Translation Reserve	1,732,665	5,091,123	-
Closing at the end of year	6,625,019	4,892,354	(198,769)
Closing at the end of year	(231,157,250)	(154,039,969)	(54,397,613)

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Laurus Synthesis Inc.

CIN : U24239TG2002PTC038490

Notes to the financial statements for the year ended March 31, 2017

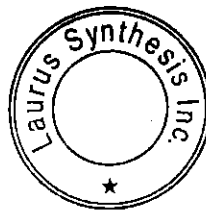
(All amounts in Rupees except for share data or as otherwise stated)

9 Borrowings	March 31, 2017	March 31, 2016	April 01, 2015
Current borrowings			
Credit Facility from CITI Bank	129,028,814	132,002,471	-
Total	129,028,814	132,002,471	-
10 Trade Payables	March 31, 2017	March 31, 2016	April 01, 2015
- Outstanding dues micro enterprises and small enterprises	-	-	-
- Outstanding dues to creditors other than micro enterprises and small enterprises	1,604,391	30,981,005	7,149,433
- Outstanding dues to related parties	-	-	-
	1,604,391	30,981,005	7,149,433
11 Other current financial liabilities	March 31, 2017	March 31, 2016	April 01, 2015
Interest payable	83,919	-	-
	83,919	-	-
12 Other Liabilities	March 31, 2017	March 31, 2016	April 01, 2015
Current			
Advances from customers	-	2,109,386	1,990,387
Advances from Holding company	6,396,107	1,326,658	1,251,816
Total	6,396,107	3,436,044	3,242,203

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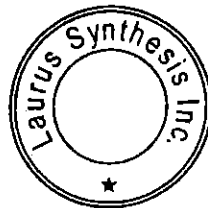
Laurus Synthesis Inc.

CIN : U24239TG2002PTC038490

Notes to the financial statements for the year ended March 31, 2017

(All amounts in Rupees except for share data or as otherwise stated)

	For the year ended March 31, 2017	For the year ended March 31, 2016
13. Revenue from Operations		
Sale of Services	295,925,049	217,874,093
Revenue from Operations (Gross)	<u>295,925,049</u>	<u>217,874,093</u>
14. Cost of Materials Consumed		
Raw Materials Consumed		
Opening stock at the beginning of the year	-	-
Add : Purchases	20,436,006	37,629,498
Less : Closing stock at the end of the year	-	-
	<u>20,436,006</u>	<u>37,629,498</u>
15. Employee Benefits Expenses		
Salaries, allowances and wages	249,444,139	177,738,255
Staff welfare expenses	2,045,150	1,114,154
Total	<u>251,489,288</u>	<u>178,852,408</u>
16. Other Expenses		
Effluent treatment expenses	1,819,913	1,302,790
Power and Fuel	10,395,246	9,701,078
Repairs & maintenance		
Plant and machinery	2,108,324	3,083,702
Others	3,047,660	1,890,783
Rent	21,963,957	21,170,340
Office maintenance	1,880,267	1,740,134
Insurance	1,326,818	433,009
Consultancy and other professional charges	4,426,182	20,109,091
Membership and subscription	4,911,509	3,036,252
Travelling and conveyance	22,616,218	20,130,167
Communication expenses	1,585,369	1,540,596
Recruitment and training	2,135,131	5,960,751
Business Promotion and Advertisement	13,002,616	9,318,136
Total	<u>91,219,207</u>	<u>99,416,830</u>
17. Finance Expenses		
	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest		
- on working capital loans	2,861,962	554,756
Bank charges	183,898	40,024
Total	<u>3,045,860</u>	<u>594,780</u>

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Laurus Synthesis Inc

Notes to financial statements for the year ended March 31, 2017

(All amounts in Million Rupees except for share data or as otherwise stated)

1. Corporate information

Laurus Synthesis Inc (LSI Inc) offers a broad Chemistry, IP Development and related services to the global Pharmaceutical community, situated in the state of Delaware, USA. LSI Inc, Is a Corporation, incorporated on December 8th, 2014, under the laws of State of Delaware, USA.

2. Significant accounting policies

2.1 Basis of preparation

(a) The financial statements of the Company have been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015.

For all periods up to and including the year ended March 31, 2016, the Company had prepared its financial statements in accordance 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'). These financial statements for the year ended March 31, 2017 are the first the Company has prepared in accordance with Ind AS. Also, refer to note 40 for information on how the Company has adopted Ind AS.

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount:

- ▶ Derivative financial instruments,
- ▶ Certain financial assets and liabilities measured at fair value.

2.2 Summary of significant accounting policies

(a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- ▶ Expected to be realised or intended to be sold or consumed in normal operating cycle
- ▶ Held primarily for the purpose of trading
- ▶ Expected to be realised within twelve months after the reporting period, or
- ▶ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- ▶ It is expected to be settled in normal operating cycle
- ▶ It is held primarily for the purpose of trading
- ▶ It is due to be settled within twelve months after the reporting period, or
- ▶ There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

The Company has identified twelve months as its operating cycle.

(b) Foreign currencies

The financial statements are presented in Indian rupees, which is the functional currency of the Company and the currency of the primary economic environment in which the Company operates.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

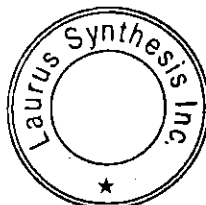
Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of the following:

- Exchange differences arising on monetary items that are designated as part of the hedge of the Company's net Investment of A foreign operation. These are recognised in OCI until the net Investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

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Laurus Synthesis Inc

Notes to financial statements for the year ended March 31, 2017

(All amounts in Million Rupees except for share data or as otherwise stated)

(c) Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

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:

- In the principal market for the asset or liability, or
- 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.

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:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- 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.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(d) Revenue recognition

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. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of services

Revenue from contract research operations is recognised in accordance with the terms of the relevant contracts with customers and when the agreed milestones are achieved, which are substantiated by the performance of related service work.

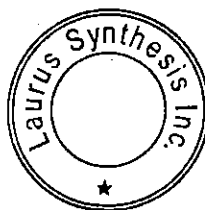
(e) Property, plant and equipment

Under the previous GAAP (Indian GAAP), property, plant and equipment and capital work in progress were carried in the balance sheet at cost of acquisition. The Company has elected to regard those values of property as deemed cost at the date of the acquisition since they were broadly comparable to fair value. The Company has also determined that cost of acquisition or construction does not differ materially from fair valuation as at 1 April 2015 (date of transition to Ind AS).

Capital work in progress, Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

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Laurus Synthesis Inc

Notes to financial statements for the year ended March 31, 2017

(All amounts in Million Rupees except for share data or as otherwise stated)

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance or extends its estimated useful life. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Factory buildings	:	30 years
Other buildings	:	60 years
Plant and equipment	:	5 to 20 years
Furniture and fixtures	:	10 years
Vehicles	:	5 years
Computers	:	3 to 6 years

The Company, based on technical assessment and management estimate, depreciates certain items of plant and equipment and vehicles over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(f) **Intangible assets**

Computer Software

Costs relating to software, which is acquired, are capitalised and amortised on a straight-line basis over their estimated useful lives of five years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

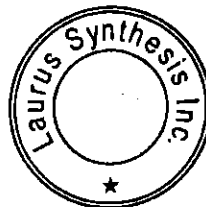
(g) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

(h) **Cash and cash equivalents**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.



Laurus Synthesis Inc

Notes to financial statements for the year ended March 31, 2017

(All amounts in Million Rupees except for share data or as otherwise stated)

(i) **Measurement of EBITDA**

The Company has elected to present earnings before interest, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations and does not include depreciation and amortisation expense, finance costs and tax expense.

(j) **Related Party Transactions**

Names of related parties and description of relationship

Holding Company

i) Laurus Labs Limited

March 31, 2017

March 31, 2016

a) Transactions During the Year

Proceeds for Issue of shares

-

70,126,750

Revenue from Operations

235,913,056

173,239,888

Contract research service expenses

2,018,338

16,351,654

Advance received

6,396,107

-

b) Closing Balances

Due to Holding Company

6,396,107

1,326,658

Disclosed under Trade Receivables

-

63,758,586

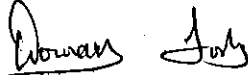
Disclosed under Trade Payables

-

16,742,092

For Bashetty & Joshi
Chartered Accountants

ICAI Firm Registration Number : 013299S



Gourav Kumar Joshi

Partner

Membership No. 225311

For and on behalf of the Board of Directors
LAURUS SYNTHESIS INC



V V Ravi Kumar

Director

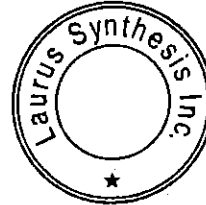


C. Chandrakanth

Director

Place : Hyderabad

Date : May 11, 2017



Place : Hyderabad

Date : May 11, 2017