

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF IPCA LABORATORIES LIMITED

### Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of IPCA LABORATORIES LIMITED (the Company), which comprise the Balance Sheet as at March 31, 2018 and the Statement of Profit & Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (the standalone financial statements).

### Management's Responsibility for the Standalone 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 standalone 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 the Indian Accounting Standards specified in section 133 of the Act, read with rules made thereunder and the relevant provisions of the Act.

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 standalone 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 financial statements based on our audit.

While conducting the 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 financial statements 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 standalone financial statements are free from material misstatement.

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

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 the Ind AS, of the state of affairs of the Company as at March 31, 2018 and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

### Other Matters

The financial statements of the Company for the year ended March 31, 2017 were audited by predecessor auditor who expressed an unmodified opinion on those statements on May 28, 2017.

### Report on Other Legal and Regulatory Requirements

- As required by the Companies (Auditor's Report) Order, 2016 (the Order) issued by the Central Government of India in terms of section 143(11) of the Act, we give in the "Annexure A" a statement on the matters specified in the paragraph 3 and 4 of the 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, Statement of Profit & Loss, the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under section 133 of the Act;
  - (e) On the basis of the written representations received from the Directors as on March 31, 2018 taken on record by the Board of Directors, none of the Directors are disqualified as on March 31, 2018 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 with reference to financial statements of the Company and the operating effectiveness of such controls, we give our separate Report in "Annexure B"; and
  - (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:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note No. 35 to the standalone financial statements;
    - ii. The Company did not have any material foreseeable losses on long-term contracts including derivative contracts; and
    - iii. There has been no amounts which are required to be transferred to the Investor Education and Protection Fund by the Company.

**For G. M. Kapadia & Co.**  
Chartered Accountants  
Firm Registration No. 104767W

**Atul Shah**  
Partner  
Membership No. 39569

Mumbai,  
May 29, 2018

**Annexure A - referred to in paragraph 1 under “Report on Other Legal and Regulatory Requirements” of our report on even date, to the members of the Company on the standalone financial statements for the year ended March 31, 2018**

- (i) (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of its Property, Plant and Equipment.
- (b) According to the information and explanations given to us, most of the property, plant and equipment of the Company were physically verified by the management during the year. No material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its Property, plant and equipment.
- (c) According to the information and explanations given to us and based on audit procedures performed for the purpose of reporting the true and fair view of the financial statements, we report that the title deeds of immovable properties forming part of property, plant and equipment, are held in the name of the Company.
- (ii) During the year, the management has physically verified the inventory at reasonable intervals. We have been informed that the discrepancies noticed on physical verification, as compared to the book records, were not material having regards to size and nature of operations and have been properly dealt with in the books of account.
- (iii) The Company has granted unsecured loans to its associate and joint venture covered in the register maintained under section 189 of the Act.
- (a) In our opinion, the terms and conditions of the grant of such loans are not prejudicial to the interest of the Company.
- (b) The loans are not due for repayment presently and therefore, there is no default in its repayment and there is no overdue. Hence, the clause 3(iii) (c) of the Order, is not applicable to the Company.
- (iv) Based on audit process applied by us and according to the information and explanations given to us, in our opinion, the Company has complied with the provisions of section 185 and 186 of the Act, in respect of investments made and loans, guarantees and securities granted, as applicable.
- (v) In our opinion and according to the information and explanation given to us, the Company has not accepted deposits from the public and therefore, the provisions of section 73 to 76 or any other relevant provisions of the Act and Rules framed there under are not applicable to the Company.
- We have been informed that no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal in this regard.
- (vi) As informed to us, the maintenance of the cost records under section 148(1) of the Act has been prescribed and we are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have not, however, carried out a detailed examination of the records to ascertain whether they are accurate or complete.
- (vii) (a) Based on the records produced before us, the Company is generally regular in depositing with appropriate authorities applicable undisputed statutory dues such as Provident Fund, Employees’ State Insurance, Sales Tax, Income Tax, Service Tax, Custom Duty, Excise duty, Goods and Service Tax, Value Added Tax, cess and other applicable statutory dues with the appropriate authorities. There are no arrears as at March 31, 2018 which were due for more than six months from the date they became payable.
- (b) The details of dues of Income Tax, Sales Tax, Service Tax, duty of Customs, duty of Excise or Value Added Tax or cess which have not been deposited with the concerned authorities on account of dispute are given below:

Name of the Statute	Nature of Dues	Amount (₹ Crores)	Period to which the amount relates	Forum where dispute is pending
Excise Duty	Differential Excise duty on WIP on Debonding	0.23	2009-10	CESTAT, Ahmedabad
Excise Duty	Rebate claim rejected due to late filed	0.03	2013-14	Asst Commissioner Central Excise, Customs & Service tax, Silvassa
Excise Duty	Interest and penalty on past anti-dumping duty & excise duty	4.15		High Court, Gujarat
Excise Duty	Differential Excise Duty on clearance	0.08	April'11 to March'13	Deputy Commissioner
Excise Duty	Availment of Differential PLA Credit	2.32	2015-16	Commissioner A-Appeal, Siliguri
Service Tax	Availment of credit of Service Tax on H.O. Invoices	0.64	2006-07 & 2007-08	Commissioner, Central Excise
Service Tax	Availment of credit of Service Tax on H.O. Invoices	0.23	April'08 to Nov'08	Commissioner, Central Excise
Service Tax	Availment of credit of Service Tax on H.O. Invoices	0.04	Dec'08 to Sept'09	Deputy Commissioner, Central Excise
Service Tax	Availment of credit of Service Tax on Telephone/Cell Phone /Taxi Hire charges & Insurance	0.03	2006-07 & 2007-08	Commissioner/ Dy. Commissioner, Central Excise
Service Tax	Availment of credit of Service Tax on Telephone/Cell Phone / Taxi Hire charges & Insurance	0.01	April'08 to Dec'08	Commissioner/ Dy. Commissioner, Central Excise
Service Tax	Availment of credit of Service Tax on Telephone /Cell Phone/Taxi Hire charges & Insurance*	0.00	Jan'09 to Sept'09	Dy. Commissioner, Central Excise

Name of the Statute	Nature of Dues	Amount (₹ Crores)	Period to which the amount relates	Forum where dispute is pending
Service Tax	Availment of credit of Service Tax on H.O. Invoices	1.42	2006-07 & 2007-08	Commissioner, Central Excise
Service Tax	Availment of credit of Service Tax on H.O. Invoices	0.34	April'08 to Nov'08	Commissioner, Central Excise
Service Tax	Availment of credit of Service Tax on H.O. Invoices	0.30	Dec'08 to Sept'09	Commissioner, Central Excise
Service Tax	Availment of credit of Service Tax on Garden Maintenance Based on EA-2000 audit query	0.28	2012-13 & 2014-15	Commissioner Appeal ,Indore
Service Tax	Availment of Cenvat Credit on Service Tax*	0.00	2006-07	Dy. Commissioner, Central Excise
Service Tax	Non-payment of service tax under RCM on remittances in foreign currency for product/ patent registration and facility fees to US FDA.	4.98	July'12 to Sept'13	Commissioner Service tax -VI, Mumbai
Sales Tax	Jammu & Kashmir Value added tax Act, - Disputed Demand	0.05	2011-2012	Deputy Commissioner of Commercial Tax (Appeal), Srinagar
Sales Tax	Gujarat value added Tax Act - Disputed demand	0.07	2006-07	Gujarat VAT Tribunal, Ahmedabad
Sales Tax	Gujarat value added Tax Act - Disputed demand	0.02	2007-08	Jt. Commissioner of Commercial Tax, Rajkot
Sales Tax	Gujarat value added Tax Act - Disputed demand	0.28	2006-07	Additional Commercial Commissioner Ahmedabad
Sales Tax	Central Sales Tax - Assessment demand	0.31	2013-14	Dy. Commissioner Commercial Tax-Ratlam
Sales Tax	Kerala Value Added Tax - Disputed demand*	0.00	2012-13	Sales tax Authority
Sales Tax	UP, Value Added Tax Act - Disputed demand	0.27	2013-14	Commercial Tax Authority, Lucknow
Sales Tax	Demand After Assessment	0.40	2014-15	The Dy. Commissioner Commercial Tax Ratlam Division-Ratlam (M.P.)
Sales Tax	Demand After Assessment	0.12	2015-16	The Dy. Commissioner Commercial Tax Ratlam Division-Ratlam (M.P.)
Sales Tax	Demand After Assessment*	0.00	2014-15	The Add. Commissioner Commercial Tax Indore (M.P.)
Entry Tax	Entry Tax	4.70	2013-14	Sales Tax Department
Sales Tax	Duburdih Check Post Penalty	0.02	2014-15	Deputy Commissioner, Sales Tax, West Bengal
	<b>Total</b>	<b>21.32</b>		

Note: Balances with values below the rounding off norm adopted by the Company have been reflected as "0.00".

- (viii) The Company has not defaulted in repayment of loans or borrowing to any financial institutions, banks, government or debenture holders.
- (ix) The Company has not raised any money by way of Initial Public Offer or further Public offer (including debt instruments). On the basis of the documents submitted to the bankers and the other relevant records perused by us, we state that the term loans taken during the year have been applied for the purpose of which the loans were obtained.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, no instances of fraud by the Company or on the Company by its officers and employees have been noticed or reported during the year.
- (xi) The Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) The Company is not a Nidhi Company. Accordingly, Clause 3(xii) of the Order is not applicable.
- (xiii) In respect of transactions with related parties, the Company has complied provisions of sections 177 and 188 of the Act where applicable. Necessary disclosures relating to related party transactions have been made in the standalone financial statements as required by the applicable accounting standard.
- (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 and hence the clause 3(xiv) of the Order is not applicable to the Company.
- (xv) The Company has not entered into any non-cash transaction with directors. We have been informed that no such transactions have been entered into with persons connected with directors. Accordingly, para 3(xv) of the Order is not applicable to the Company.
- (xvi) The Company is not required to get registered under 45-IA of the Reserved Bank of India Act, 1934.

**For G. M. Kapadia & Co.**  
Chartered Accountants  
Firm Registration No. 104767W

**Atul Shah**  
Partner  
Membership No. 39569

Mumbai,  
May 29, 2018

**Annexure B referred to in paragraph 2(f) under “Report on Other Legal and Regulatory Requirements” of our Independent Auditor’s report of even date, to the members of Ipca Laboratories Limited (the Company) on the Standalone Financial Statements for the year ended March 31, 2018**

**Report on the Internal Financial Controls under section 143(3)(i) of the Companies Act, 2013 (the Act)**

We have audited the internal financial controls with reference to financial statements of the Company as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management’s Responsibility for Internal Financial Controls**

The Company’s Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements 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 (the Guidance Note) issued by the Institute of Chartered Accountants of India (ICAI). 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 Act.

**Auditors’ Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing specified under section 143(10) of the Act 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 ICAI. 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 with reference to financial statements were 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 with reference to financial statements.

**Meaning of Internal Financial Controls with reference to Financial Statements**

A company’s internal financial control with reference to financial statements 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 with reference to financial statements 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 with reference to Financial Statements**

Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements 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 with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2018, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

**For G. M. Kapadia & Co.**  
Chartered Accountants  
Firm Registration No. 104767W

**Atul Shah**  
Partner  
Membership No. 39569

Mumbai,  
May 29, 2018