

Independent Auditor's Report

To the Members of Alembic Pharmaceuticals Limited

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of ALEMBIC PHARMACEUTICALS LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and 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 the significant accounting policies and other explanatory information.

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 (Ind AS) specified under Section 133 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 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. 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.

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 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, of the state of affairs of the Company as at 31st March, 2018 and its profit, total comprehensive income and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Sub-section (11) of Section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 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, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and 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 (Ind AS) specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 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 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, as amended, 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 (net of provision made) in its financial statements Refer note no 26 (2) (ii).
 - 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 that were required to be transferred to the Investor Education and Protection Fund by the Company during the year.

For **K. S. AIYAR & Co.**
Chartered Accountants
(Firm's Registration No. 100186W)

Rajesh S. Joshi
Partner
Membership No. 38526

Place of Signature: Vadodara
Date: 16th May, 2018

Annexure A

Re: Alembic Pharmaceuticals Limited.

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' Section of our report of even date to the Members of Alembic Pharmaceuticals Limited)

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) These fixed assets have been physically verified by the management during the year as per the phased programme of physical verification of fixed assets. As informed to us the programme is such that all the fixed assets will get physically verified once in three year time. In our opinion the same is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification.
- (c) The title deeds of immovable properties are held in the name of the company except for Land having book value of ₹1.88 Crores still being held in the names erstwhile demerged companies.
- (ii) Physical verification of inventory has been conducted at reasonable intervals by the management and no material discrepancies were noticed on such physical verification.
- (iii) The Company has not granted any secured or unsecured loans to companies, firms, limited liability partnership or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Therefore the requirements of sub-clause (a), (b) and (c) of clause (iii) are not applicable to the Company.
- (iv) In respect of loans, investments, guarantees, and security provisions of Section 185 and 186 of the Companies Act, 2013 have been complied with.
- (v) The Company has not accepted any deposits during the year. Therefore the question of complying with directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder does not arise.
- (vi) The Central Government has specified the maintenance of cost records under Sub-section (1) of Section 148 of the Companies Act, 2013. Such accounts and records have been made and maintained by the Company.
- (vii) (a) The Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, goods and service tax (GST), cess and any other statutory dues to the appropriate authorities. There were no undisputed amounts payable in respect of these dues in arrears as at 31st March, 2018 for a period of more than six months from the date they became payable.
- (b) Dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax or goods and service tax (GST) that have not been deposited on account of any dispute are as under:

Nature of dues	Amount not deposited (₹ in Crores)	Forum where dispute is pending	Period
Sales Tax, interest and penalty	0.13	High Court	1999-2000
	1.64	Asst. Commissioner Demand	2003-2004
	@	Additional Commissioner	2004-2005
	0.02	Revisional Board (Tribunal)	2006-2007
	0.21	Jt. Commissioner Appeals	2013-2014
	0.08	Jt. Commissioner Appeals	2006-2007
	0.08	Tribunal	2009-2010
	0.02	Additional Commissioner	1 st April, 2006 to 30 th Nov, 2008
	0.15	Additional Commissioner	2007-2008

Nature of dues	Amount not deposited (₹ in Crores)	Forum where dispute is pending	Period
Central Sales Tax	0.11	Deputy Commissioner II	2006-2007
	0.02	Addl. Commissioner Sales Tax	1 st April, 2006 to 30 th Nov, 2008
	0.01	Jt. Commissioner Appeals	2006-2007
	0.03	Jt. Commissioner Appeals	2010-2011
Entry Tax	0.03	Revisional Authority	2013-2014
Professional Tax	0.05	Jt. Commissioner	2014-2015
Excise duty, interest & penalty	2.14	CESTAT	2005-2006
	0.10	CESTAT	2011-2012
	@@	Remand Back	2007-2008
	0.02	CESTAT	1998-1999
	#	Commissioner Appeal	2009-2010
	0.50	Supreme Court	2005-2006
	1.21	Supreme Court	2005-2006
	# #	CESTAT	2008-2009
	0.01	CESTAT	2010-2011
	1.02	CESTAT	2006-2011
	0.24	Commissioner Appeals	2013-2014
	\$	CESTAT	2011-2012
	0.04	Commissioner Appeals	2013-2014
	0.03	CESTAT	2012-2013
	\$\$	Commissioner Appeals	2011-2012
	0.01	Commissioner Appeals	2006-2011
	0.28	CESTAT	2015-2016
	0.03	CESTAT	2014-2015
	0.04	CESTAT	2014-2015
	^	CESTAT	2012-2014
^^	Commissioner (Appeals)	2008-2009	
*	Commissioner (Appeals)	2009	
**	Commissioner (Appeals)	2009-2010	
+	Commissioner (Appeals)	2007-2008	
0.22	CESTAT	2015-2016	

@ ₹ 44,830/- @@ ₹ 16,091/- # ₹ 35,000/- ## ₹ 55,306/- \$ ₹ 56,760/- \$\$ ₹ 13,588 ^ ₹ 35,963/- ^^ ₹ 25,153/-
* ₹ 25,183/- ** ₹ 47,936/- + ₹ 11,316/-

- (viii) The Company has not defaulted in repayment of loans or borrowings to a financial institution, bank, government or dues to debenture holders.
- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. The term loan raised during the year have been applied for the purpose for which they were raised.
- (x) Any fraud by the Company or any fraud on the Company by its officers or employees has not been noticed or reported during the year.
- (xi) Managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act.
- (xii) The Company is not a Nidhi Company and therefore the compliance requirements relevant to a Nidhi Company are not applicable.
- (xiii) All transactions with related parties are in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable and the details have been disclosed in the standalone 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, therefore the compliance of the requirement of Section 42 of the Companies Act, 2013 are not applicable.
- (xv) Pursuant to the provisions of Section 192 of the Companies Act, 2013, the Company has not entered into any non-cash transactions with directors or persons connected with him/her.
- (xvi) The Company is not required to be registered under Section 45-1(A) of the Reserve Bank of India Act, 1934.

For K. S. AIYAR & Co.
Chartered Accountants
(Firm's Registration No. 100186W)

Rajesh S. Joshi
Partner
Membership No. 38526

Place of Signature: Vadodara
Date: 16th May, 2018

Annexure B

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' Section of our report of even date to the Members of Alembic Pharmaceuticals 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 ALEMBIC PHARMACEUTICALS LIMITED ("the Company") as of 31st March, 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 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 prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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.

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 were operating effectively as at 31st March, 2018 , 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
(Firm's Registration No. 100186W)

Rajesh S. Joshi
Partner
Membership No. 38526

Place of Signature: Vadodara
Date: 16th May, 2018