

ZYDUS PHARMACEUTICALS MEXICO SERVICE COMPANY SA DE CV
Balance Sheet as at December 31, 2016

Particulars	Note No.	MXN- Thousands		INR- Thousands	
		As at December 31			
		2016	2015	2016	2015
ASSETS:					
Non-Current Assets:					
Financial Assets:					
Other Financial Assets	1	146	52	482	200
Other Non-Current Assets	2	281	439	928	1,686
		427	491	1,410	1,886
Current Assets:					
Financial Assets:					
Trade Receivables	3	6,740	7,759	22,242	29,795
Cash and Cash Equivalents	4	380	192	1,254	737
Other Current Assets	5	1,040	872	3,432	3,348
		8,160	8,823	26,928	33,880
Total		8,587	9,314	28,338	35,766
EQUITY AND LIABILITIES:					
Equity:					
Equity Share Capital	6	5,601	5,601	18,483	21,508
Other Equity	7	(6,414)	(5,992)	(21,166)	(23,010)
		(813)	(391)	(2,683)	(1,502)
Non-Current Liabilities:					
Provisions	8	2,217	1,667	7,316	6,401
Deferred Tax Liabilities [Net]		(138)	-	(455)	-
		2,079	1,667	6,861	6,401
Current Liabilities:					
Financial Liabilities:					
Trade Payables	9	2,117	2,134	6,986	8,195
Other Financial Liabilities	10	1,448	1,820	4,779	6,989
Other Current Liabilities	11	3,756	4,084	12,395	15,683
		7,321	8,038	24,160	30,867
Total		8,587	9,314	28,338	35,766
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 20				

As per our report of even date
For Mukesh M. Shah & Co.
Chartered Accountants
Firm Registration Number: 106625W

For and on behalf of the Board

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 25, 2017

Sole Administrator

ZYDUS PHARMACEUTICALS MEXICO SERVICE COMPANY SA DE CV
Statement of Profit and Loss for the year ended December 31, 2016

Particulars	Note No.	MXN- Thousands		INR- Thousands	
		Year ended December 31			
		2016	2015	2016	2015
REVENUE:					
Revenue from Operations	12	46,190	51,783	1,66,284	2,09,203
Total Revenue		46,190	51,783	1,66,284	2,09,203
EXPENSES:					
Employee Benefits Expense	13	45,436	48,557	1,63,570	1,96,170
Finance Costs	14	5	6	18	24
Other Expenses	15	700	541	2,520	2,185
Total Expenses		46,141	49,104	1,66,108	1,98,379
Profit before Tax		49	2,679	176	10,824
Less: Tax Expense:					
Current Tax		609	666	2,192	2,691
Deferred Tax		(138)	-	(497)	-
		471	666	1,695	2,691
Profit for the year		(422)	2,013	(1,519)	8,133
OTHER COMPREHENSIVE INCOME:					
Other Comprehensive Income for the year, net of tax		-	-	-	-
Total Comprehensive Income for the year		(422)	2,013	(1,519)	8,133
Basic & Diluted Earning per Equity Share [EPS] [in MXN / Rupees]	16	(0.08)	0.36	(0.27)	1.45
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 20				
As per our report of even date For Mukesh M. Shah & Co. Chartered Accountants Firm Registration Number: 106625W		For and on behalf of the Board			
Chandresh S. Shah Partner Membership Number: 042132 Ahmedabad, Dated: May 25, 2017		Sole Administrator			

ZYDUS PHARMACEUTICALS MEXICO SERVICE COMPANY SA DE CV
Statement of Change in Equity for the year ended December 31, 2016

a Equity Share Capital:	No. of Shares	MXN- Thousands	INR- Thousands
Equity Shares of Currency MXN 1/- each, Issued, Subscribed and Fully Paid-up:			
As at December 31, 2014	56,00,991	5,601	24,084
As at December 31, 2015	56,00,991	5,601	21,508
As at December 31, 2016	56,00,991	5,601	18,483
		MXN- Thousands	
b Other Equity:		Retained Earnings	Total
As at December 31, 2014		(8,005)	(8,005)
Add: Profit for the year		2,013	2,013
As at December 31, 2015		(5,992)	(5,992)
Add: Profit for the year		(422)	(422)
As at December 31, 2016		(6,414)	(6,414)
		INR- Thousands	
b Other Equity:		Foreign Currency Translation Reserve	Retained Earnings
			Total
As at December 31, 2014		2,506	(34,421)
Add: Profit for the year		-	8,133
Add: Addition during the year #		772	-
As at December 31, 2015		3,278	(26,288)
Add: Profit for the year		-	(1,519)
Add: Addition during the year #		3,363	-
As at December 31, 2016		6,641	(27,807)
# Includes adjustments on account of exchange rate translation differences			
<u>As per our report of even date</u>	For and on behalf of the Board		
For Mukesh M. Shah & Co. Chartered Accountants Firm Registration Number: 106625W			
Chandresh S. Shah Partner Membership Number: 042132 Ahmedabad, Dated: May 25, 2017			Sole Administrator

ZYDUS PHARMACEUTICALS MEXICO SERVICE COMPANY SA DE CV

I-Company overview:

Zydus Pharmaceuticals Mexico S.A. De C.V., was incorporated on August 31, 2010. The Company's main activity is to render administrative and personnel services to its affiliated company Zydus Pharmaceuticals Mexico S.A. de C.V. The Company is a subsidiary of Zydus International Private Limited, a company incorporated in the Republic of Ireland.

II-Significant Accounting Policies:

1 Reporting Currency Translation:

The Local accounts are maintained in local and functional currency which is "Mexican Pesos [MXP]". These accounts have been translated in Indian Rupees considering the operation of the Company as "Non-integral operations" for holding company. The translation of Financial Statements to Indian Rupee [INR] from "MXP" is performed for assets and liabilities using the exchange rates prevailing on the Balance sheet dates and for revenues and expenses using the average exchange rates for the respective periods. The gain or loss resulting from such translation is included in "Foreign Currency Translation Reserve" under Other Equity.

2 Financial Reporting Standards:

- A The accompanying financial statements have been prepared in accordance with the Financial Reporting Standards [NIF for its Acronym in Spanish] as issued by the Mexican Board of Financial Reporting Standards [CINIF for its Acronym in Spanish].
- B The NIFS are structured as follows: a) Financial Reporting Standards and interpretations (INIF), b) Accounting Principles Bulletins; issued by the Mexican Institute of Public accounts that have not been modified, replaced or repealed by the NIF, and c) International Financial Reporting Standards (IFRS); issued by the International Accounting Standards Board (IASB).
- C The accompanying financial statements and their notes were authorized to be issued on March 31, 2017, by Gyanesh Kumar, Finance Head, consequently, do not reflect the events beyond that date.
- D The General Corporate Law and the by-laws of the Company, grant to stockholders the possibility to amend the financial statements after issuing them. The accompanying financial statements will be submitted for approval at the General Stockholders' Annual Meeting.

3 Changes in Accounting Policies from adoption of new NIF:

The company has adopted the new NIF and "NIF improvements" to NIF which were effective from January 1, 2016.

- a NIF D-3 "Employee Benefits" - effect of same is disclosed in note no 7.

There are no significant effects arising from the application of this new pronouncement in 2016, with respect to the valuation, presentation and disclosure.

4 Use of Estimates

In preparing the financial statements, various estimates and assumptions have been used for presentation of assets and liabilities, and disclosure of contingent assets and liabilities, such as, labor obligation, future cash flow, discount rates and other allowances, in order to present its financial information in conformity with Mexican financial reporting standards. Actual results can differ from these estimates and assumption.

5 Revenue Recognition

Company recognizes revenue on services when these have been provided and accepted by the client.

6 Foreign Currency Transactions:

Foreign currency transactions are accounted for at the prevailing exchange rate at the time they are carried out. Foreign currency denominated assets and liabilities are restated at the applicable end of the period exchange rates. Exchange gains or losses form part of the result of financing, affecting net income.

7 Employee benefits:

In accordance with the new NIF D-3 "Employee Benefits", effective as of January 1, 2016, the Company adopted, among others, the following pronouncements: 1) identification of post-employment benefits out of those that are considered termination benefits by assessing pre-existing conditions whether the obligation is of a legal, contractual or assumed type; 2) the rate used to discount the obligations is the market rate of high quality corporate bonds in a deep market, 3) the balance of past services is recognized as part of the retained earnings of the most recent period, however the Company decided to recognize it within loss or profit for the year, with no material effect on the accounting treatment difference. Termination or post-employment benefits established in the Federal Labor Law in Mexico refer mainly to seniority premiums payable to employees who have completed fifteen or more years of service, and indemnifications for voluntary or involuntary separation.

The Company recognizes the liability for employee benefits as follows:

Direct benefits such as salaries, overtime, and vacation among others, are recognized in exchange for services rendered in the period in which they are accrued at their face value and are classified in the short or long term whether these benefits occur or not within the following twelve months.

Post-employment benefits that include seniority premium, is determined based on actuarial calculations for personnel years of service, covering the defined benefit obligation in the long-term liabilities.

8 Income Tax, and employee profit sharing, Prepaid or Deferred:

- A Provisions for income tax (ISR for its Spanish acronym) and employee profit sharing (PTU for its Spanish acronym) are recorded net income for the year they become payable. Also, a deferred tax related to these two items is included, arising from temporary differences resulting from comparing book and tax values of assets and liabilities, including the benefit of tax loss carry forward and tax credits. A deferred tax asset is recorded only when there is a high likelihood that it can be recovered. Deferred taxes are determined using enacted tax rates that are estimated will be effective on the dates temporary items shall be reversed or realized.
- B Current and deferred PTU is considered an ordinary expense associated to employee benefit.

9 Impact of Inflation:

Pursuant to NIF B-10, Beginning 2008, companies incorporated before that date has suspended recognition of the impact of inflation based on the fact the Mexican economy is now operating in a non - inflationary environment. Since the Company commenced operations in 2013, it has not exceeded the threshold of 26% to recognize the effects of inflation. Accumulated inflation for the three years prior to the date of financial statements is less than 26%. Annual inflation in 2016, 2015 and 2014 was 3.3603% , 2.1308% and 4.0813% respectively, therefore accumulated for the prior three year period was 9.8710%

10 Provisions, Contingent assets and contingent liabilities:

Provisions represent present obligations resulted from past events, and are recognised when there is probability of cash outflows, and amounts can be reliably estimated; but they can still be uncertain. A present obligation arises from legal or contractual commitments resulted from past events such as warranties, legal disputes, or onerous contracts. Restructuring provisions are recognised only if detailed formal plan for the restructuring has been developed and implemented, or management has announced to those affected, at least the plan's main characteristics. Provision are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the obligation, based on the most reliable evidence available at the reporting date, including the risk & uncertainties associated with the present obligation. Where there are number of similar obligations, the probability of cash outflows will be measured considering the class of obligations.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Company's probable economic benefit inflows, that do not yet meet the asset recognition criteria, are considered contingent asset. without significant curtailment of operation.

ZYDUS PHARMACEUTICALS MEXICO SERVICE COMPANY SA DE CV
Notes to the Financial Statements

	MXN- Thousands		INR- Thousands	
	As at December 31			
	2016	2015	2016	2015
Note: 1-Other Financial Assets:				
[Unsecured, Considered Good unless otherwise stated]				
Security Deposits	146	52	482	200
Total	146	52	482	200
Note: 2-Other Non-Current Assets:				
[Unsecured, Considered Good unless otherwise stated]				
Balances with Statutory Authorities	281	439	928	1,686
Total	281	439	928	1,686
Note: 3-Trade Receivables:				
Others- Considered good:				
Unsecured	6,740	7,759	22,242	29,795
Total	6,740	7,759	22,242	29,795
Note: 4-Cash and Cash Equivalents:				
Balances with Banks	380	192	1,254	737
Total	380	192	1,254	737
Note: 5-Other Current Assets:				
Prepaid Expenses	1,040	872	3,432	3,348
Total	1,040	872	3,432	3,348
Note: 6-Equity Share Capital:				
Authorised:				
5,600,991 [as at December 31, 2015: 5,600,991] Equity Shares of MXN 1/- each	5,601	5,601	18,483	21,508
	5,601	5,601	18,483	21,508
Issued, Subscribed and Fully Paid-up Equity Shares:				
5,600,991 [as at December 31, 2015: 5,600,991] Equity Shares of MXN 1/- each fully paid-up	5,601	5,601	18,483	21,508
	5,601	5,601	18,483	21,508
A There is no change in the number of shares as at the beginning and end of the year				
Number of shares at the beginning and end of the year	56,00,991	56,00,991		
B The Company has only equity shares. All equity shares rank pari passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the equity shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.				
C Equity shares of MXN 1/- each, fully paid held by Holding Company, Zydus International Private Limited, a company incorporated in the Republic of Ireland which is a subsidiary company of Cadila Healthcare Limited, the ultimate holding company, a company incorporated in India.				
Number of Shares	56,00,991	56,00,991		
% to total share holding	100%	100%		
Note: 7-Other Equity:				
Other Reserves:				
Foreign Currency Translation Reserve:				
Balance as per last Balance Sheet			3,278	2,506
Add: Exchange Rate differences on translation to INR			3,363	772
			6,641	3,278
Retained Earnings:				
Balance as per last Balance Sheet	(5,992)	(8,005)	(26,288)	(34,421)
Add [Less]: Loss [Profit] for the year	(422)	2,013	(1,519)	8,133
Balance as at the end of the year	(6,414)	(5,992)	(27,807)	(26,288)
Total	(6,414)	(5,992)	(21,166)	(23,010)
Note: 8-Provisions:				
Provision for Employee Benefits	2,217	1,667	7,316	6,401
Total	2,217	1,667	7,316	6,401
Note: 9-Trade Payables:				
Trade Payables	2,117	2,134	6,986	8,195
Total	2,117	2,134	6,986	8,195
Note: 10-Other Financial Liabilities:				
Accrued Expenses	1,448	1,820	4,779	6,989
Total	1,448	1,820	4,779	6,989
Note: 11-Other Current Liabilities:				
Payable to Statutory Authorities	3,756	4,084	12,395	15,683
Total	3,756	4,084	12,395	15,683

ZYDUS PHARMACEUTICALS MEXICO SERVICE COMPANY SA DE CV

Notes to the Financial Statements

	MXN- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
Note: 12-Revenue from Operations:				
Sale of Services	46,190	51,783	1,66,284	2,09,203
Total	46,190	51,783	1,66,284	2,09,203
Note: 13-Employee Benefits Expense:				
Salaries and wages	36,549	39,159	1,31,576	1,58,202
Contribution to provident and other funds	6,246	6,723	22,486	27,161
Staff welfare expenses	2,641	2,675	9,508	10,807
Total	45,436	48,557	1,63,570	1,96,170
Note: 14-Finance Cost:				
Bank commission & charges	5	6	18	24
Total	5	6	18	24
Note: 15-Other Expenses:				
Traveling Expenses	-	151	-	610
Legal and Professional Fees	576	336	2,074	1,357
Miscellaneous Expenses [*]	124	54	446	218
Total	700	541	2,520	2,185
[*] Miscellaneous Expenses include Payment to the auditors as "Auditor"				
50	43	180	174	
Note: 16-Calculation of Earnings per Equity Share [EPS]:				
The numerators and denominators used to calculate the basic and diluted EPS are as follows:				
A [Loss] Profit attributable to Shareholders	(422)	2,013	(1,519)	8,133
B Basic and weighted average number of Equity shares outstanding during the year	56,00,991	56,00,991	56,00,991	56,00,991
	MXN		INR	
C Nominal value of equity share	1	1		
D Basic & Diluted EPS	(0.08)	0.36	(0.27)	1.45
Note: 17-Segment Information:				
The Chief Operating Decision Maker [CODM] reviews the Company as single segment, namely, "Manpower supply and Administration segment".				
Note: 18-Related Party Transactions:				
A Name of the Related Parties and Nature of the Related Party Relationship:				
a Holding Company:	Zybus International Private Limited			
b Ultimate Holding Company:	Cadila Healthcare Limited			
c Fellow Subsidiaries:	Dialforhealth India Limited Dialforhealth Unity Limited Dialforhealth Greencross Limited Zybus Wellness Limited M/s. Zybus Wellness-Sikkim, a Partnership Firm Zybus Healthcare Limited Zybus Technologies Limited Liva Pharmaceuticals Limited Alidac Pharmaceuticals Limited Zybus Netherlands B.V. [the Netherlands] Zybus Healthcare (USA) LLC [USA] Zybus Healthcare Philippines Inc [Philippines] Zybus Pharmaceuticals (USA) Inc.[USA] Zybus Nikkho Farmaceutica Ltda. [Brazil] Zybus France, SAS [France] Zybus Lanka (Private) Limited [Srilanka]			
	Laboratorios Combix S.L. [Spain] Zybus Noveltech Inc. [USA] Hercon Pharmaceuticals LLC [USA] Zybus Healthcare S.A. (Pty) Ltd [South Africa] Simayla Pharmaceuticals (Pty) Ltd [South Africa] Script Management Services (Pty) Ltd [South Africa] Alidac Healthcare (Myanmar) Limited [Myanmar] Zybus Pharmaceuticals Mexico SA De CV [Mexico] Etna Biotech S.R.L. [Italy] ZAHL B.V. [the Netherlands] ZAHL Europe B.V. [the Netherlands] Bremer Pharma GmbH [Germany] Neshor Pharmaceuticals (USA) LLC [USA] Zybus Worldwide DMCC [Dubai] Zybus Discovery DMCC [Dubai] Zybus Pharma Japan Co. Ltd. [Japan] [Liquidated during the year]			
d Administrator:	Mr. Prashant Jayantbhai Desai			
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 items 18-A [b & c].			
	MXN- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
Sale of Services:				
Zybus Pharmaceuticals Mexico SA De C.V.	46,190	51,783	1,66,284	2,09,203
Purchase of Services:				
Cadila Healthcare Limited	4	6	13	23
	As at December 31			
Outstanding:				
Receivable:				
Zybus Pharmaceuticals Mexico SA De C.V.	6,740	7,759	22,242	29,795
Payable:				
Cadila Healthcare Limited	1	3	3	12
b	There are no transactions with the parties referred to in item no. 18 A [a & d].			

ZYDUS PHARMACEUTICALS MEXICO SERVICE COMPANY SA DE CV

Notes to the Financial Statements

Note: 19-Going Concern:

As of December 31, 2016 and 2015, the Company has lost more than two-thirds of its capital stock. However Cadila Healthcare Limited (CHL) the ultimate parent company of Zydus Pharmaceuticals Mexico Service Company S.A. de C. V. has given an assurance to provide sufficient financial support, so as to enable the Company to continue its operations without significant curtailment of operation.

Note: 20

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 20 to the Financial Statements

As per our report of even date

For Mukesh M. Shah & Co.

Chartered Accountants

Firm Registration Number: 106625W

For and on behalf of the Board

Chandresh S. Shah

Partner

Membership Number: 042132

Ahmedabad, Dated: May 25, 2017

Sole Administrator

ZYDUS PHARMACEUTICALS MEXICO SERVICE COMPANY SA DE CV
Cash Flow Statement for the year ended December 31, 2016

Particulars	MXN- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
A Cash flows from operating activities:				
Profit before tax	49	2,679	176	10,824
Adjustments for:				
Provisions for employee benefits	550	(187)	1,980	(755)
Operating profit before working capital changes	599	2,492	2,156	10,069
Adjustments for:				
Decrease in trade receivables	1,019	1,580	3,668	6,383
Decrease/ [Increase] in non current assets	345	(123)	1,242	(497)
[Increase] in other current assets	(168)	(19)	(604)	(77)
Increase/ [Decrease] in trade payables	(17)	1,762	(61)	7,118
[Decrease] in other current liabilities	(372)	(4,222)	(1,339)	(17,057)
Total	807	(1,022)	2,906	(4,130)
Cash generated from operations	1,406	1,470	5,062	5,939
Direct taxes paid [Net of refunds]	(937)	(1,476)	(3,373)	(5,963)
Net cash from [used] in operating activities	469	(6)	1,689	(24)
B Cash flows from investing activities:				
Purchase of fixed assets	(281)	-	(1,012)	-
Net cash used in investing activities	(281)	-	(1,012)	-
C Cash flows from financing activities:				
Net cash from [used] in financing activities	-	-	-	-
Net increase / [Decrease] in cash and cash equivalents	188	(6)	677	(24)
[Decrease] due to the translation to INR [Refer Note-3]	-	-	(160)	(90)
Cash and cash equivalents at the beginning of the year	192	198	737	851
Cash and cash equivalents at the end of the year	380	192	1,254	737

Notes to the Cash Flow Statement

- 1 All figures in brackets are outflows.
- 2 Previous year's figures have been regrouped wherever necessary.
- 3 Cash Flow Statement is translated into Indian Rupee [INR] at the average exchange rates for the year. The increase/ decrease resulting from such translation is shown separately as "Increase/ [Decrease] due to the translation to INR"

As per our report of even date
For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

For and on behalf of the Board

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 25, 2017

Sole Administrator