Ohm Laboratories, Inc.

Your Directors have the pleasure in presenting the Audited Financial Statements for the period ended March 31, 2014.

WORKING RESULTS **USD in Thousand**

Ohm Laboratories, Inc.	**Period ended 03/31/14**	Period ended 12/31/12
Net Sales	**$239,194**	$530,826
Profit/(Loss) before Interest, Depreciation, Amortization, and Impairment	**12,815**	61,611
Interest	**10**	62
Exchange Loss/(Gain)- (Net) on Loans	-	-
Depreciation, Amortization and Impairment	**11,102**	9,150
Profit/(Loss) before Tax	**1,704**	52,399
Income Tax (benefit)/expense	**273**	16,490
Profit/(Loss) after Tax	**1,430**	35,909
Balance as per last balance sheet	**125,810**	88,106
Dividends distributed to parent Company	**(55,000)**	-
Balance after dividend adjustment	**72,240**	88,106
Excess tax benefit upon exercise of stock options	**-**	-
Balance available for appropriation	**72,240**	125,810

WORKING RESULTS **INR In Thousand**

Ohm Laboratories, Inc.	**Period ended 03/31/14**	Period ended 12/31/2012
Net Sales	**14,153,491**	28,386,417
Profit/(Loss) before Interest, Depreciation,	**758,284**	3,294,706
Amortization, and Impairment	**-**	-
Interest	**592**	3,316
Exchange Loss/(Gain)- (Net) on Loans		
Depreciation, Amortization and Impairment	**656,923**	489,305
Profit/(Loss) before Tax	**100,828**	2,802,086
Income Tax (benefit)/expense	**16,154**	

		881,818
Profit/(Loss) after Tax	**84,615**	1,920,267
Balance as per last balance sheet	**7,444,379**	4,711,551
Dividends distributed to parent Company	**(3,254,438)**	-
Balance after dividend adjustment	**4,274,556**	6,727,807
Excess tax benefit upon exercise of stock options		
Balance available for appropriation	**4,274,556**	6,631,818

Net Revenue
The Company changed its reporting period from calendar to fiscal year effective March 31, 2014. In the financial statements and the notes presented, the comparable periods include fifteen (15 months) ending March 31, 2014 and twelve (12) months ending December 31, 2012.

Ohm Laboratories, Inc. (Ohm) recorded sales of $239.2 [INR 14,154.85] million for the fifteen (15) months ended March 31, 2014. During the past fifteen (15) months, shipments between Ohm and RPI, which is Ohm's base business, logged-in at $217.8 [INR 12,888] million. Quarterly sales declined 40% or $18.8 [INR 1,112] million compared to the average quarterly sales (AQS) in 2013 or decreased 34% compared to last years' quarter. Ohms' quarterly loss is primarily attributable to the availability of certain critical materials that were lacking as the FDA prohibited the manufacturing and distribution of active pharmaceutical ingredients (API) from the Toansa facility on January 11, 2014.

Over-the-counter (OTC) products were down 12% or $1.9 [INR 112] million compared to AQS in 2013 and decreased 8% or $1.2 [INR 71] million due to the impact of Toansa.

Research and Development Expense
The Company spent approximately $18.9 [INR 1,118] million, including Company's cross charges to RLL for Research and Development (R&D) in each year as it continues to develop its future products pipeline. During the last year, the Company outsourced certain R &D initiatives while entering into collaboration and license agreements with various parties to develop formulations and injections of new products. The new initiatives were expensed into R&D for approximately $9.1 [INR 538] million ($7.0 [INR 414] million with Mical H; $1.6 [INR 95] million with Ambio and $500 [INR 29,586] K with Therapeutics).

Capital Expansion
The Company continued to expand capacity at its OHM Terminal Road, NJ, facility for the manufacturing of dosage forms. Phase C II expansion added $12 [INR 710] million during 2013. Another $6.2 [INR 367] million is expected to be funded during 2014 and the project will be operational by the end of July 2014.

Reclassifications
Certain reclassifications have been made in the Directors' financial statements of prior period to confirm to the classifications used in the current year. These changes had no impact on previously reported net income or stockholders' equity.

Dividend
The Company declared dividends through its entities Ranbaxy Pharmaceutical Inc. ("RPI") of $75 [INR 4,438] million and Ohm Laboratories Inc. ("Ohm") of $55 [3,254] million and recorded $130 [INR 7,692] million to Ranbaxy Inc. ("RI") with a corresponding credit to Dividend income. Ranbaxy USA ("RUSA") was credited with $156.8 [INR 9,278] million in Additional paid in capital ("APIC") and recorded $156.8 [INR 9,278] million to Ranbaxy Inc. ("RI") as a charge to Investment in subsidiaries. The declared stock dividend of $156.8 [INR 9,278] million from RUSA and the loan to RNBV from RPI for $358.4 [INR 21,207] million was charged to RLL.

Changes in Capital Structure
There were no changes to the Company's capital structure during the fifteen months ending March 31, 2014.

Subsidiaries and Joint Ventures
No new subsidiaries or joint ventures have been created during the fifteen (15) months ending March 31, 2014.

Directors
The Board constitutes of: Venkat Krishnan, John P. Reilly, Gaurav Mehrotra, and Rajiv Gulati.

Acknowledgement
The Directors commend the continued commitment and dedication of employees at all levels. The Directors also wish to acknowledge with thanks, all other stakeholders for their valuable sustained support and encouragement and look forward to receiving similar support and encouragement in the years ahead.

Sd/-
Director

Dated: 19 May 2014

OHM LABORATORIES, INC.

Financial Statements

March 31, 2014 and December 31, 2012

(With Independent Auditors’ Report Thereon)

Independent Auditors' Report

To

The Board of Directors
Ranbaxy Laboratories Limited

At your request, we have audited the accompanying special purpose financial statements ('referred to as financial statements') of OHM Laboratories Inc. ('the Company') which comprises the Balance Sheet as at March 31, 2014 and December 31, 2012, the related Statement of Income and Retained Earnings for the period then ended and notes, comprising a summary of significant accounting policies and certain other explanatory information to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the 'basis of accounting' as described in note 1(b) of these financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether 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 our 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, we consider internal controls relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

Opinion

In our opinion, the financial statements referred to above are prepared, in all material respects, in accordance with the 'basis of accounting' as described in note 1(b) of these financial statements.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 6 of the financial statements which explains that, pursuant to correction of an error pertaining to the periods prior to those presented in the financial statements, the carrying amount of deferred tax liability has been reduced to the extent of USD 1,795,225 [INR 98,099,727] with an offsetting adjustment to the opening balance of retained earnings as at 1 January 2012. Consequently, the relevant amounts of retained earnings and deferred tax liability as at 31 December 2012 have also been restated to reflect the above correction.

Basis of Accounting and restriction on use and distribution

Without modifying our opinion, we draw attention to note 1(b) to the financial statements which describes the ‘basis of accounting’ and that these financial statements are prepared for the limited purpose of the information and use of the Board of Directors of Ranbaxy Laboratories Limited (‘the intermediate holding company’) within India. Accordingly, the Company has not presented all of the disclosures including Statement of Cash Flows, and Statement of Changes in Stockholders’ Equity and Comprehensive Income/Loss that are required to present fairly the financial statements in conformity with U.S. generally accepted accounting principles. As a result, these financial statements will not be suitable for another purpose. Our report is intended solely for the Board of Directors of Ranbaxy Laboratories Limited and should not be used by or distributed to any other party.

For B **S R & Co. LLP**
Chartered Accountants
Registration No.:101248W

Pravin Tulsyan
Partner
Membership No: 108044

Place: Gurgaon, India
Date: 19 May 2014

OHM LABORATORIES INC.
Balance Sheet

March 31 2014 and December 31, 2012
(All amount in United States dollars, unless otherwise stated)

	March 31, 2014	(As Restated- refer to note 6) December 31, 2012
ASSETS		
Current assets :		
Trade accounts receivable, net	7,995,377	9,201,470
Due from related parties	11,930,798	10,344,973
Inventories	48,581,037	34,931,426
Other current assets	587,670	1,385,066
Deferred tax assets	3,417,660	1,282,839
Total current assets	**72,512,542**	**57,145,774**
Property, plant and equipment, net	93,211,000	82,108,941
Intangible assets (excluding goodwill), net	608,796	458,944
Goodwill	7,414,301	7,414,301
Due from related parties (Refer to note 7)	146,376,816	1,805,242,637
Other assets	47,575	37,532
Total assets	**$ 320,171,030**	**$ 1,952,408,129**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	8,708,277	10,125,735
Current installments of obligations under capital leases	39,268	45,223
Accrued expenses and other current liabilities	10,102,542	7,640,696
Due to related parties (Refer to note 7)	47,224,290	10,619,664
Allowances for sales return	334,249	241,936
Total current liabilities	**66,408,626**	**28,673,254**
Obligations under capital leases, excluding current installments	49,420	94,732
Due to related parties (Refer to note 7 and note 9)	157,270,508	1,772,881,628
Other liabilities	604,118	591,155
Deferred tax liability	6,517,493	7,481,518
Total liabilities	**230,850,165**	**1,809,722,287**
Stockholders' equity		
Class A Common Stock, Authorized 200,000 shares; issued and outstanding 2,400 shares as at March 31, 2014 and December 31, 2012	238,572	238,572
Class B Common Stock, Authorized 200,000 shares; issued and outstanding 97,500 shares as at March 31, 2014 and December 31, 2012		
Additional paid in capital (Refer to note 8)	16,842,447	16,637,534
Retained earnings	72,239,846	125,809,736
Total stockholders' equity	**89,320,865**	**142,685,842**
Total liabilities and stockholders' equity	**$ 320,171,030**	**$ 1,952,408,129**

See accompanying notes to the financial statements

OHM LABORATORIES INC.
Balance Sheet

March 31 2014 and December 31, 2012
(All amount in Indian Rupees, unless otherwise stated)

	March 31, 2014	(As Restated) December 31, 2012
ASSETS		
Current assets :		
Trade accounts receivable, net	478,765,078	502,812,589
Due from related parties	714,419,063	565,299,071
Inventories	2,909,044,118	1,908,821,091
Other current assets	35,189,799	75,686,692
Deferred tax assets	204,650,300	70,100,492
Total current assets	**4,342,068,358**	**3,122,719,935**
Property, plant and equipment, net	5,581,497,019	4,486,827,370
Intangible assets (excluding Goodwill), net	36,454,850	25,078,907
Goodwill	443,970,103	405,153,045
Due from related parties	8,765,078,798	98,647,138,599
Other assets	2,848,820	2,050,949
Total assets	**19,171,917,949**	**106,688,968,805**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	521,453,713	553,318,878
Current installments of obligations under capital leases	2,351,386	2,471,186
Accrued expenses and other current liabilities	604,942,619	417,524,407
Due to related parties	2,827,801,796	580,309,508
Allowances for sales return	20,014,917	13,220,528
Total current liabilities	**3,976,564,431**	**1,566,844,507**
Obligations under capital leases, excluding current installments	2,959,263	5,176,609
Due to related parties	9,417,395,701	96,878,777,499
Other liabilities	36,174,736	32,303,566
Deferred tax liability	390,269,045	408,826,120
Total liabilities	**13,823,363,175**	**98,891,928,302**
Stockholders' equity		
Class A Common Stock, Authorized 200,000 shares ; issued and outstanding 2400 shares as at March 31, 2014 and December 31, 2012	7,483,414	7,483,414
Class B Common Stock, Authorized 200,000 shares ; issued and outstanding 97,500 shares as at March 31, 2014 and December 31, 2012		
Additional paid in capital	996,259,623	909,154,847
Retained earnings	2,464,430,019	5,634,245,973
Accumulative other comprehensive (loss) income	1,880,381,717	1,246,156,270
Total stockholders' equity	**5,348,554,773**	**7,797,040,504**
Total liabilities and stockholders' equity	**19,171,917,949**	**106,688,968,805**

See accompanying notes to the financial statements

OHM LABORATORIES INC.
Statement of income and retained earnings

Fifteen months ended March 31 2014 and year ended December 31, 2012
(All amount in United States dollars, unless otherwise stated)

	Fifteen months ended March 31, 2014	**(As Restated- refer to note 6) Year ended December 31, 2012**
Net sales	233,176,617	528,776,848
Other operating income	6,017,031	2,049,621
Total revenue	**$ 239,193,648**	**$ 530,826,469**
Cost of goods sold (exclusive of depreciation and amortization)	187,738,590	442,073,008
Selling, general and administration expenses (exclusive of depreciation and amortization)	29,335,011	22,379,366
Research and development expenses (exclusive of depreciation and amortization)	9,305,260	5,050,726
Depreciation and amortization	11,101,699	9,150,094
Operating income	**$ 1,713,088**	**$ 52,173,275**
Interest expense	(9,573)	(62,232)
Other income	-	287,688
Income before tax	**$ 1,703,515**	**$ 52,398,731**
Income tax expense	273,405	16,490,389
Net income	**$ 1,430,110**	**$ 35,908,342**
Retained earnings, beginning (Refer to note 6)	125,809,736	89,901,394
Dividends (Refer to note 3)	(55,000,000)	-
Retained earnings, ending	**$ 72,239,846**	**$ 125,809,736**

See accompanying notes to the financial statements

OHM LABORATORIES INC.
Statement of income and retained earnings

Fifteen months ended March 31 2014 and year ended December 31, 2012
(All amount in Indian Rupees, unless otherwise stated)

	Fifteen months ended March 31, 2014	(As Restated) Year ended December 31, 2012
Net sales	13,797,432,938	28,276,836,811
Other operating income	356,037,338	109,605,398
Total revenue	**14,153,470,277**	**28,386,442,209**
Cost of goods sold (exclusive of depreciation and amortization) (Refer to note 4)	11,108,792,329	23,640,267,817
Selling, general and administration expenses (exclusive of depreciation and amortization)	1,735,799,478	1,196,757,557
Research and development expenses (exclusive of depreciation and amortization)	550,607,071	270,092,325
Depreciation and amortization	656,905,247	489,309,849
Operating income	**101,366,152**	**2,790,014,662**
Interest expense	(566,425)	(3,327,931)
Other income	-	15,384,362
Income before tax	**100,799,727**	**2,802,071,093**
Income tax (benefit) / expense	16,177,811	881,838,993
Net income	**84,621,916**	**1,920,232,100**
Retained earnings, beginning	5,634,245,973	3,726,463,694
Dividends	(3,254,437,870)	-
Retained earnings, ending	**2,464,430,019**	**5,634,245,973**

See accompanying notes to the financial statements

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Incorporation and history

OHM Laboratories Inc. ('the Company' or 'OHM') was incorporated on October 28, 1981 in the State of New Jersey. It is a wholly-owned subsidiary of Ranbaxy Inc. (Parent company), which is a wholly-owned subsidiary of Ranbaxy (Holdings) U.K. Limited ('RHUK'), which is a wholly-owned subsidiary of Ranbaxy Holdings (Netherlands) BV ('RNBV'), which in turn is a wholly owned subsidiary of Ranbaxy Laboratories Limited ('the intermediate holding company') ('RLL'). RLL is a subsidiary of Daiichi Sankyo Company Limited, Japan, which is also the ultimate holding company. The Company is a manufacturer and distributor of over-the-counter and prescription pharmaceuticals. The Company obtains its products from its owned manufacturing plants, RLL and third parties. The Company operates two manufacturing facilities in New Jersey and sells to its affiliates and external customers throughout the United States of America ('USA') and Canada. The Company distributes its products pursuant to rights obtained through Abbreviated New Drug Application ('ANDA') approvals in USA, licensing rights obtained from RLL and third parties. The Company's products are subject to the regulatory approval of the United States Food and Drug Administration ('USFDA').

(b) Basis of accounting

The financial statements have been prepared in accordance with the recognition and measurement principles of US generally accepted accounting principles (US GAAP) and include only the following:

- Balance Sheet as at ended March 31, 2014 and December 31, 2012;
- Statement of Income and Retained Earnings for the fifteen months period ended 31 March 2014 and twelve months period ended 31 December 2012; and
- Significant accounting policies and notes to the financial statements, to the extent considered required by the management.

These financial statements have been prepared for the limited purpose of the information and use of the management of RLL within India and hence contain only limited disclosures. Accordingly, certain disclosures (including Statement of Cash Flows and Statement of Changes in Stockholders' Equity and Comprehensive Income/Loss) that are required to present fairly the financial statements in conformity with US GAAP have been omitted.

The financial year of the Company has been changed from January-December to April-March effective 01 April 2014. In view of this, the current financial year of the Company is for a period of 15 months i.e. 01 January 2013 to 31 March 2014 ('current period') and, accordingly, the figures for the current period are not comparable with figures for the year ended 31 December 2012 ('previous year') presented in the statement of income and retained earnings and related notes.

(c) Use of estimates

The preparation of financial statements in conformity with 'basis of accounting' as discussed in 1(b) above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting period. The Company's most significant estimates relate to deferred tax, valuation of inventory balances, accrued liabilities, determination of useful lives for property, plant and equipment and other long lived assets for impairment. The management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management become aware of changes in circumstances surrounding the estimates. Any changes in estimates are recognized prospectively.

(d) Functional currency

Operations of the Company are carried out in USA and accordingly, functional currency of the Company is determined as U.S. Dollar (‘USD’ or ‘$’).

(e) Revenue recognition

Revenue is earned when persuasive evidence of an arrangement exists, the seller’s price to the buyer is fixed or determinable, and collectability is reasonably assured. The Company records revenue from product sales when title and risk of ownership have been transferred to the customer, which is typically upon delivery to the customer.

Revenue from sale of services, included in net sales, is recognized on accrual basis as per the terms of the contract with customers when the related services are rendered. Revenues are shown net of applicable cash discounts, volume discounts, rebates and other credits/allowances as applicable.

When the Company receives advance payments from customers for sale of products, such payments are reported as advances from customers until all conditions for revenue recognition are met.

Interest income is recognized on a time proportion basis.

(f) Other operating income

The Company manufactures exhibit batches for RLL. The Company recovers cost of manufacturing of exhibit batches and mark up as per the terms of agreement.

(g) Inventories

Inventories consist of raw materials, stores and spares, packing material, work-in-process and finished goods (manufactured and traded) and are stated at the lower of cost and market value. Manufactured finished goods and work-in-process inventory are valued at standard cost (using the first in first out (FIFO) method). The cost of raw materials, stores and spares, packing material and traded goods are determined using their ‘moving weighted average cost.

A write down of inventory to the lower of cost and market value at the close of a fiscal period creates a new cost basis and is not marked up based on changes in underlying facts and circumstances.

Inventories are reviewed on a periodic basis for identification and write-off of slow moving and obsolete inventory. Such write-downs, if any, are included in cost of goods sold.

(h) Other current assets

Other current assets consist of prepaid expenses, prepaid insurance and advances to suppliers, deposit with suppliers etc.

(i) Shipping and handling expense

Shipping and handling expenses incurred to transport products to customers are included in selling, general and administrative expenses.

(j) Research and development

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities that are acquired or constructed for research and development activities and having alternative future uses is capitalized as tangible assets when acquired or constructed.

(k) Property, plant and equipment

Property, plant and equipment including acquired under capital lease agreements are stated at cost less accumulated depreciation and impairment. The Company depreciates property, plant and equipment over the estimated useful life using the straight-line method. Leasehold improvements are amortized over the useful life or the period of lease, whichever is shorter. Upon retirement or disposal of assets, the cost of the asset and the related accumulated depreciation and impairment are eliminated from the accounts and the resulting gain or loss is credited or charged to statement of income and retained earnings.

The estimated useful lives of assets are as follows:

Leasehold improvements	Shorter of remaining lease term or life of the assets
Buildings	31 - 39 years
Leasehold equipment	5 years
Machinery and equipment	5 - 8 years
Computers (including those acquired on lease)	4 years
Office equipment	8 years
Furniture and fixtures	8 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment not put to use before such date are accounted under capital work-in-progress which is disclosed under property, plant and equipment. The interest cost incurred for funding an asset during its construction period is capitalized based on the actual investment in the asset and the average cost of funds. The capitalized interest is included in the cost of the relevant asset and is depreciated over the estimated useful life of the asset.

Expenditure for repairs and maintenance is expensed as incurred. Expenditure for major renewals, betterments and additions are capitalized.

(l) Intangibles

Intangible assets are amortized over their respective individual estimated useful lives in proportion to the economic benefits consumed in each period. The estimated useful lives of the intangible assets being software are 4 years.

(m) Leases

Leases of property, plant and equipment that transfer substantially all of the benefits or risks and rewards of ownerships are classified as capital leases. The amount recorded is the lower of the present value of the rental and other lease payments during the lease term, excluding that portion of the payments representing executor costs paid to the lessor, or the asset’s fair value. The rental obligations, net of interest charges, are shown as in obligation under capital lease.

Leases that do not transfer substantially all of the benefits or risks of ownership are classified as operating leases and recorded as expense on a straight line basis over the lease term, including leases that have rent holidays and / or escalating lease payments.

(n) Impairment of long-lived assets

Long-lived assets and finite life intangibles are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of assets may not be fully recoverable. Each impairment test is based on a comparison of the undiscounted cash flows expected to be generated from the use of the asset to its recorded value. If impairment is indicated the asset is written down to its fair value. Long-lived assets, to be disposed are reported at the lower of the carrying value or fair value less cost to sell.

(o) Employee benefit plan

The Company participates in a retirement plan under Section 401(k) of the Internal Revenue Code (“Code”) covering substantially all eligible employees. The plan allows for employees to defer up to 15% of their annual earnings (within limitations prescribed in the code) on a pre-tax basis through voluntary contributions to the plan. The plan provides that the entity can make optional contributions in an amount up to the maximum allowable by Section 404 of the Code. The contributions by the Company are recognised as an expense as incurred.

(p) Income taxes

Ranbaxy Inc., the Parent company files a consolidated federal tax return including income/ losses of its subsidiaries. The tax expense/ benefit has been allocated to respective entities using separate return method and amount payable is included in due to related parties in the financial statements.

Under the separate return method, the current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance of any tax benefits of which future realization is uncertain at consolidated level.

Uncertain tax positions are recognized and measured using the two step approach. The first step is to evaluate the tax position for recognition by determining, based on technical merits, that the position will be sustained upon examination. The second step is to measure the tax benefit as the largest amount of the tax benefit that is greater than 50% likely of being realized upon settlement. Interest and penalities related to unrecognized tax benefits is included income taxes expense/ benefits for the period.

(q) Business combinations

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is reviewed for impairment at least annually. The Company has the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount prior to performing the two-step goodwill impairment test. If this is the case, the two-step goodwill impairment test is required. If it is more-likely-than-not that the fair value of a reporting is greater than its carrying amount, the two-step goodwill impairment test is not required.

If the two-step goodwill impairment test is required, first, the fair value of the reporting unit is compared with its carrying amount (including goodwill). If the fair value of the reporting unit is less than its carrying amount, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying amount, step two does not need to be performed.

As at the balance sheet date, the Company performed a qualitative assessment of goodwill and determined that it is not more likely than not that the fair values of its reporting units are less than the carrying amounts. Accordingly, no impairment loss was recorded.

(r) Stockholders' equity

Holders of common stock are entitled to one vote per share, and to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to stockholders. The holders have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares.

2) CONTINGENCIES AND COMMITMENTS

a) As of March 31, 2014 and December 31, 2012, the Company had committed to spend USD 3,956,169 [INR 236,896,347] and USD 9,174,536 [501,340,765] respectively under agreements to purchase property, plant and equipment. This amount is net of capital advances paid in respect of these purchases.

b) The Company is also involved in lawsuits, claims and proceedings, which arise in the ordinary course of business. While the amounts claimed may be substantial, the ultimate liability is not currently determinable because of considerable uncertainties that exist. Therefore, it is possible that results of operations or liquidity in a particular period could be materially affected by certain contingencies. However, based on facts currently available, management believes that the disposition of matters that are pending or asserted will not have a material adverse effect on the financial statements.

3) DECLARATION OF DIVIDEND

During the current period, the Company has declared dividend amounting USD 55,000,000 [INR 3,254,437,870] (previous year USD Nil [INR NIL]).

4) IMPORT ALERT

The US FDA conducted an inspection at RLL's manufacturing facility located at Toansa, India in January 2014. Consequent to the findings of the inspection, on 23 January 2014, the US FDA invoked the Consent Decree prohibiting RLL from manufacturing and distributing active pharmaceutical ingredients (APIs) from its Toansa manufacturing facility and finished drug products containing APIs manufactured at this facility into the US regulated market.

Considering the above matter, provision relating to inventories amounting to USD 10,140,379 [INR 600,022,426] has been recognized in these financial statements. Based on the underlying arrangement with RLL, the entire amount of the above provision has been charged-back to RLL.

5) PRODUCT RECALL

On November 9, 2012, the Company initiated a voluntary recall of Atorvastatin calcium tablets, solid oral dosage form, at the retail level. Accordingly management had recorded a provision for inventory amounting to USD 9,370,834 [INR 501,114,118]. Based on the underlying arrangements with RLL, the entire amount of the above provision had been charged-back to RLL.

6) RESTATEMENT OF PRIOR PERIODS

Pursuant to correction of an error pertaining to the periods prior to those presented in the financial statements, the carrying amount of deferred tax liability has been reduced to the extent of USD 1,795,225 [INR 98,099,727], with an offsetting adjustment to the opening balance of retained earnings as at 1 January 2012. Consequently, the relevant amounts of retained earnings and deferred tax liability as at 31 December 2012 have also been restated to reflect the above correction. Accordingly, the balances as at 31 December 2012, of deferred tax liability and retained earnings have been restated to USD 7,481,518[INR 408,826,120] and USD 125,809,736 [INR 6,874,848,962] respectively (from USD 9,276,743 [INR 506,925,847] and USD 124,014,511[INR 6,776,749,235] respectively as reported in previous year).

7) DUE TO / FROM RELATED PARTIES

During the current period, the subsidiaries of the Parent company have agreed to offset their respective receivable and payable balances and, accordingly the resultant net receivable / payable from the respective subsidiaries has been included under due from/ to related parties in the financial statements as at 31 March 2014.

8) SHARE BASED COMPENSATION

During the current period, the Company has recorded stock option expense of USD 204,913 [INR 12,125,089] (previous year USD 225,527 [INR 12,060,267]) with a corresponding credit to the additional paid in capital.

9) INCOME TAX PAYABLE

The liability towards income tax payable amounting to USD 37,623,474 [INR 2,073,261,916] (previous year USD 34,366,783 [INR 1,877,966,284]) is included under due to related parties (non - current) as at the balance sheet date. Also refer to note 1(p).

10) EMPLOYEE BENEFIT PLAN

The Company's contribution towards employee benefit plan is USD 1,293,584 [INR 76,543,432] (previous year USD 961,872 [INR 51,437,005]).

11) SUBSEQUENT EVENTS

The Company has evaluated that there are no subsequent events which require any adjustment/disclosures in the financial statements.

Note : Conversion rate used against Indian Rupees for the year 2014 and 2012 are:

i) Items relating to Profit and Loss account at Average rate: 1 USD= 0.0169 [2012: 1 USD =0.0187]
ii) Items relating to Balance sheet at Closing rate: 1 USD = 0.0167 [2012: 1 USD=0.0183]