

IPCA PHARMACEUTICALS INC., USA

DIRECTORS REPORT

To the Members

Your Directors are pleased to present the Company's Annual Report for the year ended March 31, 2015.

Incorporation

The Company was incorporated under the laws of the State of New Jersey in the United States of America on July 10, 2003. The Company is a wholly owned subsidiary of Ipca Laboratories Limited, India.

Financial Results

Your Company is presently coordinating the development and registrations of formulations developed by the parent company in United States of America as well as distribution of Active Pharmaceutical Ingredients (APIs) manufactured by the parent company viz. Ipca Laboratories Limited in the US market.

During the financial year under report, your Company had a total income of ₹ 817.39 lacs (previous year ₹ 1893.06 lacs) and has earned a net profit of ₹ 117.66 lacs (Previous year net profit of ₹ 149.15 lacs).

Dividend

In order to conserve resources of the company, no dividend has been proposed by the board for the financial year under report.

Directors' Responsibility Statement

Your Directors confirm:

that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

that your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year March 31, 2015 and of the profit and loss of the Company for the year;

that your Directors had taken proper and sufficient care for the 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 fraud and other irregularities;

that your Directors have prepared the annual accounts on a going concern basis.

that your Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

that your Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

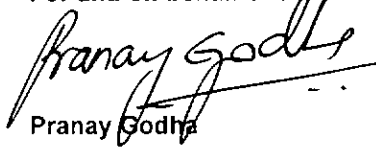
Particulars of Employees

Information required under the Companies Act, 2013 read with Companies (particulars of employees) Rules 1975 forms part of this report and is annexed hereto.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo and other related disclosure.

During the year under review, neither the Company has carried out any manufacturing activities nor the Company has any manufacturing unit. This company incorporated outside India therefore above information required pursuant to the Companies Act, 2013 are not applicable.

For and on behalf of the Board



Pranay Godha

Chairman

May 30, 2015

Statement required under the Companies Act, 2013 referred to in the Director's report for the year ended March 31, 2015:

Employed throughout the financial year:


Sr. No	Name	Designation	Qualification	Date of Employment	Exp Yr	Gross Remuneration	Age	Last Employment
1	Hasit Bhatt	President	B.Com, L.L.B., AICWA	01/04/2004	30 Years	₹ 197.07 lacs	56 yrs.	Vice President (Business Development) Ipca Laboratories Ltd., Mumbai
2	Daniel Brisard	Director, Business Development	Master of Science - Analytical Chemistry	13/08/2012	24 Years	₹ 79.62 lacs	47 Yrs	Aptuit LLC.

IPCA PHARMACEUTICALS INC., USA
Balance Sheet as at March 31, 2015

Particulars	Note Ref.	(₹ Lakhs) As at 31st March' 2015	(₹ Lakhs) As at 31st March' 2014
I EQUITY & LIABILITIES			
1 Shareholders' Funds			
(a) Share Capital	1	854.62	854.62
(b) Reserves & Surplus	2	(392.42)	(527.84)
(c) Money Received Against Share Warrants		-	-
		<u>462.20</u>	<u>326.78</u>
2 Share Application Money Pending Allotment			
		-	-
3 Non-Current Liabilities			
(a) Long-Term Borrowings		-	-
(b) Deferred Tax Liabilities (net)		-	-
(c) Other Long Term Liabilities		-	-
(d) Long Term Provisions		-	-
		<u>-</u>	<u>-</u>
4 Current Liabilities			
(a) Short-Term Borrowings	3	437.47	597.58
(b) Trade Payables	4	4.37	294.80
(c) Other Current Liabilities	5	0.94	0.90
(d) Short-Term Provisions		-	-
		<u>442.78</u>	<u>893.28</u>
TOTAL		<u><u>904.98</u></u>	<u><u>1,220.06</u></u>
II ASSETS			
1 Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	6	674.29	672.16
(ii) Intangible Assets		-	-
(iii) Capital Work-in-Progress		-	-
(iv) Intangible Assets Under Development		-	-
		<u>674.29</u>	<u>672.16</u>
(b) Non-Current Investments		-	-
(c) Deferred Tax Assets (net)		-	-
(d) Long-Term Loans & Advances	7	4.18	5.34
(e) Other Non-Current Assets		-	-
		<u>678.47</u>	<u>677.50</u>
2 Current Assets			
(a) Current Investments		-	-
(b) Inventories		-	-
(c) Trade-Receivables	8	177.02	355.99
(d) Cash and Bank Balances	9	44.81	183.45
(e) Short-term loans and advances	7	4.68	3.12
(f) Other current assets		-	-
		<u>226.51</u>	<u>542.56</u>
TOTAL		<u><u>904.98</u></u>	<u><u>1,220.06</u></u>

Statement of Significant Accounting policies and Other Explanatory Notes form part of the Balance Sheet and Statement of Profit and Loss.

For and on behalf of the Board



Pranay Godha
Chairman/Director

Place: Mumbai
Date: May 30, 2015

IPCA PHARMACEUTICALS INC., USA
Statement of Profit and Loss for the year ended March 31, 2015

Particulars	Note Ref.	(₹ Lakhs) 2014-15	(₹ Lakhs) 2013-14
Revenue			
I Revenue from Operations (Gross):			
Sale of products	10	138.39	1,220.88
Sale of Services	11	678.54	672.01
Other operating revenue		-	-
II Other Income	12	0.46	0.17
III Total Revenue (I + II)		817.39	1,893.06
IV Expenses			
Cost of Materials Consumed		-	-
Purchase of Stock-in-Trade	13	134.28	1,183.90
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade		-	-
Employee Benefit Expenses	14	391.05	377.98
Finance Cost	15	9.16	2.11
Depreciation & Amortization	6	33.40	3.16
Other Expenses	16	131.84	176.76
Total Expenses		699.73	1,743.91
V Profit/(Loss) Before exceptional, extraordinary items and Tax (III-IV)		117.66	149.15
VI Exceptional Items		-	-
VII Profit/(Loss) Before extraordinary items and Tax (V-VI)		117.66	149.15
VIII Extraordinary Items		-	-
IX Profit/(Loss) Before Tax (VII-VIII)		117.66	149.15
X Tax Expense			
1. Current Tax		-	-
2. Deferred Tax		-	-
3. Tax Provision for earlier years		-	-
XI Profit / (Loss) After Tax (IX-X)		117.66	149.15
XII Earnings per Equity Share: (₹)	18		
Basic		-	-
Diluted		-	-
Par Value		No Par value*	No Par value*

Statement of Significant Accounting policies and Other Explanatory Notes form part of the Balance Sheet and Statement of Profit and Loss

For and on behalf of the Board



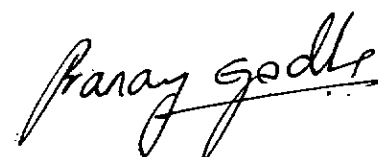
Pranay Godha
Chairman/Director

Place: Mumbai
Date: May 30, 2015

IPCA PHARMACEUTICALS INC., USA
Cash flow statement for the year ended 31st March 2015

Particulars	2014-15 ₹ Lakhs	2013-14 ₹ Lakhs
CASH FLOW FROM OPERATING ACTIVITIES		
1. Net profit/(loss) before taxation	117.66	149.15
Adjustments for :		
Depreciation	33.40	3.16
Finance charges	9.16	2.11
	<u>160.17</u>	<u>154.25</u>
2. Operating profit/(loss) before working capital changes		
Decrease/(Increase) in Receivables and Advances	178.57	389.41
Increase/(Decrease) in Current Liabilities	(290.39)	(434.87)
	<u>12.24</u>	<u>1.94</u>
3. Cash generated from operation (A)	<u>36.11</u>	<u>110.73</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Sale/(Purchase) of Fixed Assets	(5.53)	(665.62)
Net cash from / (used) in investing activities (B)	<u>(5.48)</u>	<u>(665.45)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Share Capital	-	93.65
Repayment of Short Term Borrowing	(160.11)	597.58
Finance charges	(9.16)	(2.11)
Net cash from / (used) in Financing activities (C)	<u>(169.27)</u>	<u>689.12</u>
Net increase/(decrease) in cash and cash equivalents (A + B + C)	<u>(138.64)</u>	<u>134.40</u>
Cash and cash equivalents at beginning of period	<u>183.44</u>	<u>49.05</u>
Cash and cash equivalents at end of period	<u>44.81</u>	<u>183.44</u>
Components of Cash and Cash equivalents:		
Cash in hand	0.16	0.15
Balance with Banks	<u>44.65</u>	<u>183.30</u>
	<u>44.81</u>	<u>183.45</u>

For and on behalf of the Board



Pranay Godha
Chairman/Director

Place: Mumbai
Date: May 30, 2015

Statement of Significant Accounting policies and Other Explanatory Notes

ACCOUNTING POLICIES

a) Accounting Convention

The classification of assets and liabilities of the Company is done into current and non-current based on the operating cycle of the business of the Company. The operating cycle of the business of the Company is less than twelve months and therefore all current and non-current classifications are done based on the status of realisability and expected settlement of the respective asset and liability within a period of twelve months from the reporting date as required by Schedule III to the Companies Act, 2013.

The accounting policies adopted in the preparation of financial statements are consistent with those used in the previous year.

b) Conversion in to Indian Rupees

The translation of financial statements into Indian Rupees is done in accordance with AS 11 (Revised) the Effects of Changes in Foreign Exchange Rates notified by the Companies (Accounting Standards) Rules 2006. The resultant Foreign Currency Translation Reserve is shown separately under Reserves and Surplus forming part of shareholders funds.

The Assets and Liabilities are translated at closing rate except share capital which is translated at the rate as on transaction date. The income and expenditure are translated at a rate nearing the average rate during the year.

c) Use of Estimates in Financial Statements Preparation : The preparation of Financial Statements require the use of estimates and assumptions that affect the reported amounts of Assets and Liabilities, at the date of the Financial Statements and the reported amounts of revenue and expenses during the reported period. The company's financial statements include amounts that are based on management's best estimates and judgements.

d) Fixed Assets: Acquisition of equipments, furniture and fixtures are capitalized in their respective accounts at cost. Ordinary maintenance and repair items are charged directly to expenses as incurred.

e) Depreciation: Depreciation is being provided based on estimated useful life using straight-line method.

f) Inventories: Inventories are valued on first in first out (FIFO) method at cost or net realizable value (NRV), whichever is lower.

g) Revenue

i) Revenue in respect of insurance/other claims, commission, etc., are recognized only when it is reasonably certain that the ultimate collection will be made.

ii) Revenue from sale of products is recognized on transfer of all significant risk and rewards of ownership of the products on to the customers, which is generally on dispatch of goods .

iii) Revenue from sale of service is recognized when the services are rendered.

iv) Interest income is recognised on time proportion method basis taking into account the amount outstanding and rate applicable. It is recognised only when ultimate collection is certain.

h) Cash and Cash Equivalents: Cash and cash equivalents in the Balance Sheet comprise cash at bank, cheques on hand, cash in hand and short term investments with an original maturity of three months or less.

i) Taxation

Tax expenses comprise Current Tax and Deferred Tax.

i) Current Tax:

Current Tax is calculated as per the income tax law prevailing in USA. Since the Company has accumulated losses, no Income Tax provision has been made for Federal. However, provision for NJ State Tax has been made.

ii) **Deferred Tax:**

Deferred Tax is recognized on timing differences being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities related to the taxes on income levied by same governing taxation laws. Deferred Tax Assets, subject to the consideration of prudence are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized. The tax effect is calculated on the accumulated timing difference at the year-end based on the tax rates and laws enacted or substantially enacted on balance sheet date.

j) Provisions, Contingent Liabilities and Contingent Assets

i) A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

ii) Contingent Liabilities are not recognised but disclosed in notes to accounts.

Statement of Significant Accounting policies and Other Explanatory Notes (contd)

OTHER EXPLANATORY NOTES

1 SHARE CAPITAL

	31st March' 2015		31st March' 2014	
	No. of Shares	(₹ Lakhs) No Par value*	No. of Shares	(₹ Lakhs) No Par value*
Face Value				
Class of Shares	Equity Shares fully paid		Equity Shares fully paid	
Authorized Capital*				
Issued, Subscribed And Paid up Capital	1000	854.62	1000	854.62
PER BALANCE SHEET		<u>854.62</u>		<u>854.62</u>

* In accordance with the governing law of the country where the company is incorporated there is no provision for authorized capital and par value. The same is therefore not disclosed.

Disclosures:

Reconciliation of number of shares

Particulars	31st March' 2015		31st March' 2014	
	No. of shares	(₹ Lakhs)	No. of shares	(₹ Lakhs)
Shares outstanding at the beginning of the year	1000	854.62	1000	760.97
Shares Issued during the year		-		93.65
Shares outstanding at the end of the year		<u>854.62</u>		<u>854.62</u>

Details of Shareholding in excess of 5%

Name of Shareholder	31st March' 2015		31st March' 2014	
	No. of shares	Percentage	No. of shares	Percentage
Ipca Laboratories Ltd	1,000	100	1,000	100

Particulars	31st March' 2015 (₹ Lakhs)	31st March' 2014 (₹ Lakhs)
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2 RESERVES & SURPLUS

a) Other Reserve

Foreign Currency Translation Reserve

Balance as per last Balance Sheet	3.55	0.69
Add : Addition during the year	<u>17.76</u>	<u>2.86</u>
Balance as at year end	<u>21.31</u>	<u>3.55</u>

(Net exchange differences are accumulated in foreign currency translation reserve account)

b) Surplus

Balance as per last Balance Sheet	(531.39)	-680.54
Add : Profit/(Loss) for the year	<u>117.66</u>	<u>149.15</u>
Balance as at year end	<u>(413.73)</u>	<u>-531.39</u>

PER BALANCE SHEET

	<u>-392.42</u>	<u>-527.84</u>
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3 SHORT TERM BORROWINGS

Secured Loan from Bank	<u>437.47</u>	<u>597.58</u>
PER BALANCE SHEET	<u>437.47</u>	<u>597.58</u>

Security

The loan is secured by two mortgages on New Jersey residential properties. It is further backed by Standby Letter of credit from Citibank N.A.India Branch and forming part of the funding facilities availed by the parent Holding Company.

4 TRADE PAYABLES

Trade Payables

- Micro, Small and Medium Enterprises		
- Others	<u>4.37</u>	<u>294.80</u>

PER BALANCE SHEET

	<u>4.37</u>	<u>294.80</u>
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The Company represents that in the country of its operation there is no requirement of classification of business enterprises as Micro, Small and Medium enterprises.

5 OTHER CURRENT LIABILITIES

State tax payable	<u>0.94</u>	<u>0.90</u>
PER BALANCE SHEET	<u>0.94</u>	<u>0.90</u>

Note 6

Tangible Assets

(₹ lakhs)

Particulars	Gross Block					Depreciation					Net Block	
	As on 01/04/2014	Additions	Sale/ W/off /Adjustment	Foreign Exchange fluctuation Reserve	As on 31/03/2015	As on 01/04/2014	For the year	Sale/ W/off /Adjustment	Foreign Exchange fluctuation Reserve	As on 31/03/2015	As on 31/03/2015	As on 31/03/2014
Building	639.30	-	-	29.29	668.59	-	23.75	-	0.56	24.31	644.28	639.30
Furniture and Fixtures	54.73	5.53	-	2.51	62.77	26.96	7.68	-	1.42	36.06	26.71	27.77
Office Equipment	20.85	-	-	0.95	21.80	15.76	1.97	-	0.77	18.50	3.30	5.09
Total	714.88	5.53	-	32.75	753.16	42.72	33.40	-	2.75	78.87	674.29	672.16
Previous Year	44.76	665.62	-	4.50	714.88	35.98	3.16	-	3.58	42.72	672.16	8.78

7 LOAN AND ADVANCES - unsecured, considered good

	Long Term		Short Term	
	31st March' 2015 (₹ Lakhs)	31st March' 2014 (₹ Lakhs)	31st March' 2015 (₹ Lakhs)	31st March' 2014 (₹ Lakhs)
Security Deposit	4.18	5.34	1.40	-
Prepaid expenses	-	-	3.28	3.12
PER BALANCE SHEET	4.18	5.34	4.68	3.12

Particulars	31st March' 2015 (₹ Lakhs)	31st March' 2014 (₹ Lakhs)
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8 TRADE RECEIVABLES

Unsecured, considered good:

Outstanding for more than six months	-	21.65
Other Debts	177.02	334.34
PER BALANCE SHEET	177.02	355.99

9 CASH AND BANK BALANCES

Cash and Cash Equivalents

Cash on hand	0.16	0.15
Balances with Banks	44.65	183.30
PER BALANCE SHEET	44.81	183.45

Particulars	2014-15 (₹ Lakhs)	2013-14 (₹ Lakhs)
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10 SALE OF PRODUCTS

Sale of products	138.39	1,220.88
PER STATEMENT OF PROFIT & LOSS	138.39	1,220.88

Detail of Sales

Bulk Drug	138.39	1,220.88
Total	138.39	1,220.88

11 SALE OF SERVICE

Service Charges	678.54	672.01
PER STATEMENT OF PROFIT & LOSS	678.54	672.01

12 OTHER INCOME

Interest Income	0.05	0.17
Misc Income	0.41	-
PER STATEMENT OF PROFIT & LOSS	0.46	0.17

13 PURCHASE OF STOCK IN TRADE

Purchase	134.28	1,183.90
PER STATEMENT OF PROFIT & LOSS	134.28	1,183.90

Detail of Purchase

Bulk Drugs	134.28	1,183.90
PER STATEMENT OF PROFIT & LOSS	134.28	1,183.90

14 EMPLOYEE BENEFITS EXPENSE

Salaries	319.07	312.81
Staff Welfare	47.11	41.68
Others	24.87	23.49
PER STATEMENT OF PROFIT & LOSS	391.05	377.98

Particulars	2014-15 (₹ Lakhs)	2013-14 (₹ Lakhs)
15 FINANCE COST		
Finance charges	9.16	2.11
PER STATEMENT OF PROFIT & LOSS	9.16	2.11
16 OTHER EXPENSES		
Travelling and Boarding expenses	24.42	39.67
Rent*	42.52	63.51
Insurance	5.59	5.87
Rates and taxes	10.54	2.11
Printing & Stationery	0.46	0.51
Repairs & Maintenance		
- Others	5.25	1.97
Vehicle Expenses	12.98	18.51
Communication expenses	9.57	8.62
Professional charges	5.42	8.07
Office Supplies	2.65	3.72
Audit Fees	3.05	3.01
Books and Subscription	0.98	1.20
Bank charges	1.51	1.19
Security charges	0.71	0.57
Sales and Marketing Expenses	2.80	15.30
Miscellaneous Expenses	3.39	2.93
PER STATEMENT OF PROFIT & LOSS	131.84	176.76

* Disclosure under AS-19 "Leases", notified by the Companies (Accounting Standards) Rules 2006:-

The Company has one lease commitments for its office which expires on 31st March 2017. The total lease commitments are Rs 53.94 lacs and Rs 91.03 lacs as on 31st March, 2015 and 2014 respectively. The lease payments are recognized in the Statement of Profit and Loss under Rent.

17 Disclosure as required by AS 18 "Related Party Disclosures" notified by the Companies (Accounting Standards) Rules 2006.

Relationship:	Country
A. Entities where control exists Shareholders of Ipca Pharmaceuticals Inc. Ipca Laboratories Limited.	India
B. Key Management Personnel Mr. Hasit V. Bhatt- President Mr. Pranay Godha-Director	USA India

Transactions			(₹ lakhs)
Description	Entities where control exists Holding Company	Key Management Personnel	Total
<u>Remuneration</u>			
Hasit Bhatt	-	197.07	197.07
(Previous Year)	-	190.34	190.34
Total	-	197.07	197.07
(Previous Year)	-	190.34	190.34
<u>Goods and Services Purchased</u>			
Ipca Laboratories Limited	133.98	-	133.98
(Previous Year)	1,183.60	-	1,183.60
Total	133.98	-	133.98
(Previous Year)	1,183.60	-	1,183.60
<u>Service Charges</u>			
Ipca Laboratories Limited	678.54	-	678.54
(Previous Year)	672.01	-	672.01
Total	678.54	-	678.54
(Previous Year)	672.01	-	672.01
<u>Reimbursement of expenditure</u>			
Ipca Laboratories Limited	26.97	-	26.97
(Previous Year)	31.41	-	31.41
Total	26.97	-	26.97
(Previous Year)	31.41	-	31.41
<u>Shares Issued</u>			
Ipca Laboratories Limited	-	-	-
(Previous Year)	93.65	-	93.65
Total	-	-	-
(Previous Year)	93.65	-	93.65
<u>Balances as on 31st March 2015</u>			
<u>Receivable</u>			
Ipca Laboratories Limited	177.02	-	177.02
(Previous Year)	33.01	-	33.01
Total	177.02	-	177.02
(Previous Year)	33.01	-	33.01
<u>Payable</u>			
Ipca Laboratories Limited	-	-	-
(Previous Year)	290.17	-	290.17
Total	-	-	-
(Previous Year)	290.17	-	290.17

18 Earning per share is not given since shares carry no par value.

19 Commitments and contingencies

Particulars	31st March' 2015 (₹ in lakhs)	31st March' 2014 (₹ in lakhs)
The Company has one lease commitments for its office which expires on 31st March 2017.	53.94	91.03

20 Prior period comparatives

Previous year's figures have been regrouped or rearranged where ever necessary.

21 The annual accounts have been prepared on going concern basis.

22 The Company is 100% subsidiary of Ipca Laboratories Limited. The accounts have been prepared and restated in Indian Rupees for the purpose of attachment to the accounts of the holding company to comply with the provisions of Indian Companies Act.

23 The Balance Sheet, Statement of Profit and Loss, Cash Flow Statement, Statement of significant accounting policy and other explanatory notes form an integral part of the financial statements of the company for the year ended on March 31, 2015.

For and on behalf of the Board


Pranay Godha
Chairman/Director

Place: Mumbai
Date: May 30, 2015