JUBILANT PHARMA LIMITED

Condensed Consolidated Balance Sheets

(Unaudited)

(All amounts in United States dollars, unless otherwise stated)

	Notes	As of September 30, 2016	As of March 31, 2016
Current assets			
Cash and cash equivalents	5	26,398,045	29,363,061
Trade accounts receivable, net	7	86,970,760	96,353,664
Inventories	8	107,381,629	103,956,424
Restricted cash	6	60,633	69,821
Due from related parties	23	253,723	593,670
Prepaid expenses and other current assets	9	20,158,814	38,620,861
Total current assets		**241,223,604**	**268,957,501**
Property, plant and equipment, net	10	259,036,983	260,725,703
Goodwill	11	154,510,185	155,979,959
Intangible assets, net	11	3,478,750	4,108,810
Investment securities	12	-	-
Restricted cash	6	2,240	2,252
Deferred income taxes	22	34,017,497	28,597,136
Other assets		682,276	1,363,760
Total assets		**692,951,535**	**719,735,121**
Liabilities and stockholders' equity			
Current liabilities			
Short term borrowings	16	2,561,426	45,701,814
Current portion of long term debt	15	20,517,691	24,815,076
Trade accounts payable		29,319,401	31,419,532
Due to related parties	23	18,184,459	20,130,328
Deferred revenue		1,879,994	2,700,373
Accrued expenses and other current liabilities	14	32,414,725	45,798,052
Total current liabilities		**104,877,696**	**170,565,175**
Long term debt, excluding current portion	15	303,425,439	326,684,718
Short term borrowings - non - current	16	29,301,073	-
Deferred income taxes	22	5,657,627	6,320,763
Other liabilities		18,218,527	14,955,739
Total liabilities		**461,480,362**	**518,526,395**
Stockholders’ equity			
Common stock	19	326,758,994	326,758,994
Additional paid in capital		(70,231,050)	(70,238,455)
Retained earnings		8,872,550	(23,300,677)
Accumulated other comprehensive income/ (loss)		(33,929,321)	(32,011,136)
Total stockholders' equity		**231,471,173**	**201,208,726**
Commitments and contingencies	25	-	-
Total liabilities and stockholders’ equity		**692,951,535**	**719,735,121**

See accompanying notes to the condensed consolidated financial statements

JUBILANT PHARMA LIMITED

Condensed Consolidated Statements of Income

(Unaudited)

(All amounts in United States dollars, unless otherwise stated)

	Notes	Three months ended September 30, 2016	Three months ended September 30, 2015	Six months ended September 30, 2016	Six months ended September 30, 2015
Revenues, net		115,580,726	114,060,993	231,103,955	231,392,794
Cost of goods sold	13	62,400,339	62,606,717	124,399,392	128,875,424
Selling, general and administration expenses	13	15,565,802	15,426,909	31,611,575	31,371,121
Research and development expenses	13	7,787,151	7,049,544	14,071,802	13,182,459
Other operating income, net	20	2,520,354	1,538,023	3,919,303	3,285,371
Depreciation and amortization	10,11,13	5,969,760	6,049,341	11,880,089	12,276,192
Income from operations		**26,378,028**	**24,466,505**	**53,060,400**	**48,972,969**
Other (income)/expenses, net	21	6,822,737	7,163,224	13,592,241	14,046,143
Income before income taxes		**19,555,291**	**17,303,281**	**39,468,159**	**34,926,826**
Income tax expense	22	3,463,966	2,515,328	7,294,932	4,948,044
Net income		**16,091,325**	**14,787,953**	**32,173,227**	**29,978,782**

See accompanying notes to the condensed consolidated financial statements

JUBILANT PHARMA LIMITED

Condensed Consolidated Statements of Comprehensive Income/ (Loss)

(Unaudited)

(All amounts in United States dollars, unless otherwise stated)

	Three months ended September 30, 2016	**Three months ended September 30, 2015**	**Six months ended September 30, 2016**	**Six months ended September 30, 2015**
Net income	16,091,325	14,787,953	32,173,227	29,978,782
Other comprehensive loss:				
Currency translation adjustments	(930,617)	(10,185,641)	(1,918,185)	(5,752,339)
Other comprehensive loss	(930,617)	(10,185,641)	(1,918,185)	(5,752,339)
Comprehensive income /(loss)	**15,160,708**	**4,602,312**	**30,255,042**	**24,226,443**

See accompanying notes to the condensed consolidated financial statements

JUBILANT PHARMA LIMITED

Consolidated Statements of Changes in Stockholders’ Equity

(Unaudited)

(All amounts in United States dollars, unless otherwise stated)

	Common stock		Additional paid in capital	Retained earnings	Accumulated other comprehensive income/ (loss)	Total stockholders' equity
	No. of shares	Amount				
Balance as of April 01, 2016 (restated) *	**326,758,994**	**326,758,994**	**(70,238,455)**	**(23,300,677)**	**(32,011,136)**	**201,208,726**
Stock-based compensation expense			7,405			7,405
Comprehensive income /(loss):						-
Net income	-	-	-	32,173,227	-	32,173,227
Other comprehensive income /(loss):	-	-	-	-	(1,918,185)	(1,918,185)
Balance as of September 30, 2016	**326,758,994**	**326,758,994**	**(70,231,050)**	**8,872,550**	**(33,929,321)**	**231,471,173**
Balance as of April 01, 2015 (restated) *	**326,758,994**	**326,758,994**	**(70,268,073)**	**(72,020,824)**	**(30,069,441)**	**154,400,656**
Stock-based compensation expense	-	-	52,222	-	-	52,222
Comprehensive income /(loss):						-
Net income	-	-	-	29,978,782	-	29,978,782
Other comprehensive income /(loss):	-	-	-	-	(5,752,339)	(5,752,339)
Balance as of September 30, 2015	**326,758,994**	**326,758,994**	**(70,215,851)**	**(42,042,042)**	**(35,821,780)**	**178,679,321**

* - refer note 4

See accompanying notes to the condensed consolidated financial statements

JUBILANT PHARMA LIMITED

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(All amount in United States dollars, unless otherwise stated)

	Six months ended September 30, 2016	**Six months ended September 30, 2015**
Operating activities		
Net income	32,173,227	29,978,782
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	11,880,089	12,276,192
Unrealised foreign exchange loss/ (gain)/, net	(554,893)	(227,245)
Deferred income tax benefit	(1,562,413)	(3,784,498)
Amortization of debt initiation costs	758,882	440,039
Expense on stock settled debt instrument	2,550,000	3,200,000
Allowance for doubtful receivables	96,245	369,075
Stock based compensation expense	7,405	52,222
Others, net	(9,634)	21,199
Changes in assets and liabilities, net		
Decrease in trade accounts receivable, net	9,017,000	1,807,755
Increase in inventories	(3,577,481)	(691,077)
Decrease in other assets	17,157,403	3,914,718
(Decrease)/ increase in trade accounts payable	(1,755,816)	4,862,496
Decrease in other liabilities	(21,502,201)	(15,184,047)
Net cash provided by operating activities	**44,677,813**	**37,035,611**
Cash flow from investing activities		
Movement in restricted cash	8,762	(29,187)
Purchase of property, plant, and equipment and intangibles	(12,387,387)	(13,988,679)
Proceeds from sale of property, plant and equipment	8,060	61,022
Proceeds from sale of investment	2,765,009	-
Investment in share warrants	(297)	-
Net cash used in investing activities	**(9,605,853)**	**(13,956,844)**
Cash flow from financing activities		
Repayments of long term debt ^	(27,017,774)	(15,073,831)
Repayments/ proceeds from short term borrowings, net	(13,605,521)	14,805,136
Short term loan from to related party	3,000,000	-
Short term loans repaid to related party	-	(13,300,000)
Net cash used in financing activities	**(37,623,295)**	**(13,568,695)**
Effect of exchange rate changes	(413,681)	(1,465,508)
Net (decrease)/ increase in cash and cash equivalents	(2,965,016)	8,044,564
Cash and cash equivalents at the beginning of the period	29,363,061	28,304,385
Cash and cash equivalents at the end of the period	**26,398,045**	**36,348,949**

^ Revolving credit facility of Jubilant HollisterStier LLC is presented on net basis.

See accompanying notes to the condensed consolidated financial statements

JUBILANT PHARMA LIMITED
Notes to the Condensed Consolidated Financial Statements
(Unaudited)
(All amounts in United States Dollars, unless otherwise stated)

1. Organisation

Jubilant Life Sciences Limited ("Jubilant India") is an Indian Company and the ultimate holding company of the Jubilant Group which comprises of Jubilant India and its subsidiaries. Jubilant Group is a global Pharmaceutical and Life Sciences player engaged in manufacturing and supply of Active Pharmaceutical Ingredients ("APIs"), Generics, Specialty Pharmaceuticals and Life Science Ingredients.

During May 2005, Jubilant India incorporated Jubilant Pharma Limited ("JPL, Singapore" or "the Company") in Singapore as its wholly owned subsidiary which has since become an intermediate holding company for various entities of Jubilant Group across the globe.

Jubilant Pharma through its subsidiaries in USA, Canada, Europe and India is engaged in manufacturing and marketing of various pharmaceutical products and services like active pharmaceutical ingredients, dosage forms (tablets and capsules), contract manufacturing of sterile injectables, allergy therapy products and radiopharmaceutical products in various markets spread over United States, Canada, Europe, Asia and other geographies identified on the basis of revenue earned.

The direct / indirect subsidiaries, partnerships of JPL, Singapore are as follows:

S. No.	Name of the entity	Country of incorporation	Name of the parent company / investor	Date of incorporation/ acquisition by the group
Subsidiaries				
1	Jubilant HollisterStier LLC	Unites States of America (USA)	HSL Holdings Inc.	May 31, 2007
2	Jubilant DraxImage Inc.	Canada	Jubilant Pharma Limited	May 28, 2008
3	HSL Holdings Inc.	USA	Jubilant Pharma Holdings Inc.	May 16, 2007
4	Jubilant Clinsys Inc.	USA	Jubilant Pharma Holdings Inc.	October 4, 2005
5	Draximage Limited, Cyprus	Cyprus	Jubilant Pharma Limited	September 12, 2008
6	Draximage Limited, Ireland	Ireland	Draximage Limited, Cyprus	October 20, 2008
7	Draximage LLC	USA	Draximage Limited, Cyprus	May 28, 2008
8	Jubilant DraxImage (USA) Inc.	USA	Draximage Limited, Cyprus	November 4, 2008
9	Deprenyl Inc., USA	USA	Draximage Limited, Cyprus	November 4, 2008
10	6963196 Canada Inc.	Canada	Jubilant DraxImage Inc.	May 28, 2008
11	6981364 Canada Inc.	Canada	Jubilant DraxImage Inc.	May 28, 2008
12	DAHI Animal Health (UK) Limited	United Kingdom (UK)	Jubilant DraxImage Inc.	May 28, 2008
13	Draximage (UK) Limited	UK	Jubilant DraxImage Inc.	May 28, 2008

(All amounts in United States Dollars, unless otherwise stated)

S No	Name of the entity	Country of incorporation	Name of the parent company / investor	Date of incorporation/ acquisition by the group
14	Jubilant DraxImage Limited	India	Draximage Limited, Cyprus	September 9, 2009
15	Jubilant HollisterStier Inc.	USA	HSL Holdings Inc.	October 1, 2009
16	Draxis Pharma LLC.	USA	Jubilant HollisterStier Inc.	October 1, 2009
17	Jubilant Generics Inc.	USA	Jubilant Pharma Holdings Inc	July 8, 2010
18	Jubilant Life Sciences (Switzerland) AG, Schaffhausen *	Switzerland	Jubilant Pharma Limited	January 26, 2011
19	Cadista Holdings Inc.	USA	• Jubilant Generics Inc. held 82.38% in Cadista Holdings Inc. till December 22, 2014 • Effective December 23, 2014, Cadista Holdings Inc. became a 100% subsidiary of Jubilant Pharma Holdings Inc.	July 1, 2005
20	Jubilant Pharma Holdings Inc.	USA	Jubilant Pharma Limited holds 82%	September 12, 2005
21	Jubilant Cadista Pharmaceuticals Inc.	USA	Cadista Holdings Inc.	July 1, 2005
22	Jubilant Generics Limited	India	Jubilant Pharma Limited	November 25, 2013
23	Jubilant Pharma Trading Inc.	USA	Jubilant Pharma Holdings Inc.	April 24, 2014
24	Jubilant Pharma NV	Belgium	• Jubilant Generics Limited holds 77.65%. • Jubilant Pharma Limited holds 22.35%.	June 20, 2014
25	Jubilant Pharmaceuticals NV	Belgium	• Jubilant Pharma N.V. , holds 99.81% • Jubilant Pharma Limited, holds 0.19%	June 20, 2014

(All amounts in United States Dollars, unless otherwise stated)

S No	Name of the entity	Country of incorporation	Name of the parent company / investor	Date of incorporation/ acquisition by the group
26	PSI Supply NV	Belgium	• Jubilant Pharma N.V., holds 99.50% • Jubilant Pharma Limited, holds 0.50%	June 20, 2014
27	Jubilant Life Sciences (Shanghai) Limited	China	Jubilant Pharma Limited	March 25, 2004
Partnerships				
28	Jubilant HollisterStier General Partnership	Canada	• Jubilant HollisterStier Inc. • Draxis Pharma LLC	May 28, 2008
29	Draximage General Partnership	Canada	• Jubilant DraxImage Inc. • 6981364 Canada Inc.	May 28, 2008

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(i) Effective September 23, 2016, JPL, Singapore had transferred its wholly owned subsidiary marked as "*" above to a company in Singapore (Jubilant Life Sciences International Pte. Limited), a wholly owned subsidiary of Jubilant India.

2. Summary of significant accounting policies

a) *Basis of preparation*

The condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information. Accordingly, they do not include certain information and note disclosures required by generally accepted accounting principles for annual financial reporting and should be read in conjunction with the consolidated financial statements for year ended March 31, 2016. The accompanying condensed consolidated financial statements have been prepared on a consolidated basis and reflect the financial statements of Jubilant Pharma Limited and its subsidiaries and partnerships (collectively hereinafter referred to as "the Group") by retrospective adjustment for historical financial information of transfer out of entities. Any differences between the consideration received and assets/ liabilities, transferred for such common control transaction is adjusted through equity.

All intra-group transactions and balances are eliminated in preparation of these condensed consolidated financial statements.

b) *Use of estimates*

The preparation of these condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant items subject to such estimates and assumptions include useful lives of property, plant and equipment, useful lives of intangibles, fair value measurements for impairment assessment of long-lived assets/ goodwill, valuation allowance for deferred tax assets, accounting for deductions from revenues (such as rebates, charge backs, price equalisations, sales returns and bill backs), allowances for doubtful receivables, assessment for market value of inventory, measurements of stock-based compensation, assets and obligations related to employee benefits, income tax uncertainties and other contingencies. Management believes that the estimates used in the preparation of the condensed consolidated financial statements are reasonable.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any changes in estimates are adjusted prospectively in the condensed consolidated financial statements.

c) Functional currency and exchange rate translation

The condensed consolidated financial statements are reported in U.S. Dollars ("USD"). The functional currency of the Company is the U.S. Dollar. The functional currency of the entities situated in Canada, China, Belgium, Switzerland, United Kingdom and India is their respective local currency. The functional currency of all other entities forming part of the Group is the U.S. Dollar. The financial statements of all entities are included in the condensed consolidated financial statements, based on translation into U.S. Dollars.

Assets and liabilities are translated at year-end exchange rates, while revenues, expenses and cash flow items are translated at average exchange rates. Differences resulting from translation are presented in the condensed consolidated statements of comprehensive income/ (loss) as currency translation adjustments.

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the balance sheet date. The resultant gains or losses are included in the condensed consolidated statements of income.

d) Revenue recognition

Revenue is recognized when significant risks and rewards in respect of ownership of the products are transferred to the customer or when services are provided to customers and when the following criteria are met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services has been rendered;
- The price to the buyer is fixed and determinable; and
- Collectability of the sales price is reasonably assured.

Revenue is presented net of certain rebates/ discounts and allowances including charge-backs, price equalization, expected sales return, bill backs etc.

The computation of these estimates involves significant judgment based on various factors including contractual terms, historical experience, estimated inventory levels and expected sell-through levels in supply chain.

When the advance payment is received from customers, such payments are reported as advances from customers until all conditions for revenue recognition are met.

The revenue related to contract manufacturing arrangements is recognised as follows:

- Any fees including upfront fees received in relation to contract manufacturing arrangements is recognized on straight line basis over the period of completion of related production services. Revenue resulting from the achievement of milestone events stipulated in agreements is recognized when the milestone is achieved. Milestones are based upon the occurrence of a substantive element specified in the contract or as a measure of substantive progress towards completion under the contract.

- Subsequently, revenue towards commercial production services is recognized when services are complete and the product has met rigorous quality assurance testing, delivery is made, title transfers to the customer, and collection is reasonably assured. In certain instances, the Group's customers request that the Group retain materials produced upon completion of the commercial batch production due to the fact that the customer does not have a qualified facility to store those materials or for other reasons. In these instances, the revenue recognition process is considered complete when project documents have been delivered to the customer and amounts due have been collected/ collectable.

The Group enters into revenue arrangements to sell multiple products and/or services (multiple deliverables). Revenue arrangements with multiple deliverables are evaluated to determine if the deliverables (items) can be divided into more than one unit of accounting. An item can generally be considered a separate unit of accounting if all of the following criteria's are met:

- The delivered item(s) has value to the customer on a standalone basis;
- There is objective and reliable evidence of the fair value of the undelivered item(s); and
- If the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Group.

If an arrangement contains more than one element, the arrangement consideration is allocated among separately identified elements based on relative fair values of each element.

The Group enters into collaborative agreements with other parties for product development. The agreement clearly provides for rights and responsibility of each party. All the milestones for product development are defined and responsibility of each party is clearly defined in terms of execution of their respective milestones and the amount to be spent. The Group recognises the amount spent by itself in its books of account whereas the amount spent by counter party is not recognised in the Group's books.

Clinical research services are offered through various fixed price, time and material or unit-based contracts. Revenue from fixed-price contracts for each separately identified element is recorded on a proportional performance basis. Revenue from time and material contracts are recognized as hours are incurred, multiplied by contractual billing rates.

Revenue from unit-based contracts is generally recognized as units are completed. Cost and earnings in excess of billings are classified as unbilled revenue while billings in excess of costs and earnings are classified as deferred revenue.

Revenue includes amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement.

Non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognized over the period in which the Group has continuing performance obligations.

Reimbursement of out of pocket expenses received from customers have been included as part of revenues.

Income in respect of entitlement towards export incentives is recognized in accordance with the relevant scheme on recognition of the related export sales. Such export incentives are recorded as part of other operating income.

Royalty revenue is recognized on an accrual basis in accordance with contractual agreements when all significant contractual obligations have been satisfied, the amounts are determinable and collection is reasonably assured.

Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the condensed consolidated statements of income.

Shipping and other transportation costs charged to customers are recorded in both revenue and cost of goods sold.

e) Trade accounts receivable

Trade accounts receivable are recorded net of allowances for wholesaler chargebacks related to government and other programs, cash discounts for prompt payment and doubtful accounts. Estimates for wholesaler chargebacks for government and other programs and cash discounts are based on contractual terms, historical trends and our expectations regarding the utilization rates for these programs. Estimates of our allowance for doubtful accounts are determined based on existing contractual payment terms, historical payment patterns of our customers and individual customer circumstances, an analysis of days sales outstanding by geographic region and a review of the local economic environment and its potential impact on government funding and reimbursement practices. Historically, the amounts of uncollectible accounts receivable that have been written off have been insignificant and consistent with management's expectations.

f) Inventories

Inventories comprise raw materials, stores and spares, work-in-process and finished goods. Inventories are stated at lower of cost or net realizable value. Cost is determined using the weighted average method. Stores and spares comprise engineering spares such as machinery spares, and consumables such as lubricants and oils, which are used in operating machines or consumed as indirect materials in the manufacturing process. Cost in the case of raw materials and stores and spares, comprises the purchase price and attributable direct cost, less trade discounts. Cost in the case of work-in-progress and finished goods comprise direct labour, material cost and production overheads.

A write down of inventory to the lower of cost or net realizable value at the end of a reporting period creates a new cost basis and is not marked up based on changes in underlying facts and circumstances. Write-downs of cost to market value, if any, are included in the cost of goods sold.

g) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and all highly liquid investments purchased with an original maturity of three months or less.

(All amounts in United States Dollars, unless otherwise stated)

h) Research and development and advertising

Revenue expenditure on research and development and advertising 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. Advertising cost amounted to 327,250 and 112,433 for the three ended September 30, 2016 and 2015, respectively, and 521,158 and 311,212 for the six months ended September 30, 2016 and 2015, respectively.

i) Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. The Group depreciates property, plant and equipment over the estimated useful life using the straight-line method. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to condensed consolidated statements of income.

The estimated useful lives of assets are as follows:

Buildings	30-60 years
Machinery and equipment	1-20 years
Office equipment	3-15 years
Furniture and fixtures	5-15 years
Computer equipment	3-5 years
Computer software	3-5 years
Vehicles	3-5 years
Vehicles under finance lease	Period of the lease
Leasehold improvement	Shorter of useful life or the remaining period of lease

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 disclosed 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.

j) Business combinations, goodwill and other intangible assets

The Group accounts for its business combinations by recognizing the identifiable tangible and intangible assets and liabilities assumed, and any non-controlling interest in the acquired business, measured at their acquisition date fair values. All assets and liabilities of the acquired business, including goodwill, are assigned to reporting units.

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 i.e. as at March 31 every year.

The Group performs an assessment of qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

Based on the assessment of events or circumstances, the Group performs the quantitative assessment of goodwill impairment if it determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In the quantitative assessment, recoverability of goodwill is evaluated using a two-step process.

Under step one, 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.

The estimated useful lives of intangibles are as follows:

Customer contracts and relationship intangibles	3 - 10 years
Abbreviated New Drug Applications (ANDA's)	6 - 20 years
Patents, know how	5 years
Intellectual property rights	5 years

Intangible assets are amortized over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized.

k) Segment reporting

The accounting policies adopted for segment reporting are in line with accounting policies of the Group. Revenues, expenses, assets and liabilities have been identified to segments on the basis of their relationship to operating activities of the segments (taking into account the nature of products and services and, risks and rewards associated with them) and internal management information systems and the same is reviewed from time to time to realign the same to conform to the business units of the Group.

l) Impairment of long lived assets

Long lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long lived asset or asset group (reporting unit) be tested for possible impairment, the Group first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying amount exceeds its fair value.

m) Investment securities

Equity securities that do not have readily determinable fair values are carried at cost adjusted for other-than-temporary impairment.

A decline in the fair value below cost that is deemed to be other than temporary results in an impairment to reduce the carrying amount to fair value. Such impairment is charged to the condensed consolidated statements of income.

Held-to-maturity corporate bonds are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Temporary unrealized holding gains and losses, net of the related tax effect on available for sale securities are excluded from income and are reported as a separate component of condensed consolidated statements of comprehensive income/ (loss), until realized.

Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective interest method. Dividend and interest income are recognized when earned.

n) Derivatives and hedge accounting

In the normal course of business, derivative financial instruments are used to manage fluctuations in foreign currency exchange rates and interest rate risk. The derivative instruments are recognized as either assets or liabilities in its condensed consolidated balance sheets and measures them at fair value.

Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting.

Changes in fair values of derivatives designated as cash flow hedges are deferred and recorded as a component of condensed consolidated statements of comprehensive income/ (loss) reported under condensed consolidated statements of comprehensive income/ (loss) until the hedged transactions occur and are then recognized in the consolidated statements of income along with the underlying hedged item and disclosed as part of line item in which underlying hedge item is recorded.

Changes in the fair value of derivatives not designated as hedging instruments, the ineffective portion of derivatives designated as cash flow and interest rate hedges are recognized in the condensed consolidated statements of income.

With respect to derivatives designated as hedges, the Group contemporaneously and formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also formally assesses, both at the inception of the hedge and on a quarterly basis, on cumulative basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. If it is determined that a derivative or a portion thereof is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, the Group will prospectively discontinue hedge accounting with respect to that derivative.

If hedge accounting is discontinued and the derivative is retained, the Group continues to carry the derivative at its fair value on the balance sheet and recognizes any subsequent change in its fair value in the condensed consolidated statements of income.

The gains and losses attributable to such derivative that were accumulated in consolidated statements of comprehensive income/ (loss) till discontinuance of hedge relationship is carried forward and transferred to condensed consolidated statements of income when forecasted transaction occur. If it is probable that a forecasted transaction will not occur, such accumulated (gains)/ losses are transferred to condensed consolidated statements of income immediately.

o) *Income taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit 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 income in the period that includes the enactment date.

Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred taxes are not provided on the undistributed earnings of subsidiaries outside India where it is expected that the earnings of the foreign subsidiary will be permanently reinvested.

The Group applies a two-step approach for recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining, based on the technical merits, that the position will be more likely than not 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. The Group includes interest and penalties related to unrecognized tax benefits within its provision for income tax expense.

The Group uses the flow-through method to account for investment tax credits earned on eligible scientific research and development expenditures. Under this method, the investment tax credits are recognized as a reduction to income tax expense.

The Group recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying condensed consolidated statements of income. Accrued interest and penalties are included within the related tax liability line in the condensed consolidated balance sheet.

The Group determines its tax provision for interim periods using an estimate of its annual effective tax rate. Each quarter, the Group updates its estimate of the annual effective tax rate, and if its estimated tax rate changes, the Group makes a cumulative adjustment.

p) *Retirement benefits to employees*

Contributions to defined contribution plans are charged to condensed consolidated statements of income in the period in which services are rendered by the covered employees. Current service costs for defined benefit plans are accrued in the period to which they relate.

The Group makes contribution to a recognised provident fund “Vam Employees Provident Fund Trust” (a multiemployer trust) for most of its employees in India, which is a defined benefit plan to the extent that the Group has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

The Group’s obligation in this regard is determined by an independent actuary and provided for if the circumstances indicate that the Trust may not be able to generate adequate returns to cover the interest rates notified by the Government. For other employees in India, provident fund is deposited with Regional Provident Fund Commissioner. This is treated as defined contribution plan. Group’s contribution to the provident fund is charged to Condensed consolidated statements of income.

The liability in respect of defined benefit plans is calculated annually by the Group using the projected unit credit method. Prior service cost, if any, resulting from an amendment to a plan is recognized and amortized over the remaining period of service of the covered employees.

The Group recognizes its liabilities for compensated absences dependent on whether the obligation is attributable to employee services already rendered, relates to rights that vest or accumulate and payment is probable and estimable.

The Group records annual amounts relating to its defined benefit plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases, turnover rates and healthcare cost trend rates. The Group reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so.

The effect of modifications to those assumptions is recorded immediately as a component of net periodic pension cost. The Group believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

q) Fair value measurement

The Group measures fair value for various financial and non-financial assets, to the extent required by respective guidance either for recording or disclosure purposes. Except those items which are excluded from scope of ASU 2011 - 04, such fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The accounting standard establishes a fair value hierarchy that categorise observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

- Level 2: Observable inputs that are based on inputs not quoted on active markets, but corroborated by market data.

- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Group utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers credit risk in its assessment of fair value.

r) Stock based compensation

The Group recognizes and measures compensation expense for all stock-based awards based on their grant date fair value for stock awards (net of estimated forfeiture) and recognizes the expense over vesting period using graded vesting method. For the option awards, grant date fair value is determined under the option-pricing model (Black-Scholes-Merton). Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures materially differ from those estimates.

s) Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigations, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/ or remediation can be reasonably estimated. Legal costs incurred in connection with the same are expensed as incurred.

t) Recent Accounting Pronouncements

Recently issued accounting pronouncements

- In May 2014, the FASB issued amended accounting guidance on revenue recognition that will be applied to all contracts with customers. The objective of the new guidance is to improve comparability of revenue recognition practices across entities and to provide more useful information to users of financial statements through improved disclosure requirements. In August 2015, the FASB approved a one-year deferral of the effective date making this guidance effective for interim and annual periods beginning in 2018. Reporting entities may choose to adopt the standard as of the original effective date. The Group is currently assessing the impact of adoption on its condensed consolidated financial statements.

- In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities," which primarily affects accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The ASU will be effective for us beginning January 1, 2018, including interim periods in our fiscal year 2018. Early adoption is permitted. The Group is in the process of determining the method of adoption and assessing the impact of this ASU on our consolidated results of operations, cash flows, financial position and disclosures.

- In February 2016, the FASB issued ASU No. 2016-02, "Leases." The core principle of the ASU is that a lessee should recognize the assets and liabilities that arise from its leases other than those that meet the definition of a short-term lease. The ASU requires extensive qualitative and quantitative disclosures, including with respect to significant judgments made by management. The ASU will be effective for us beginning January 1, 2019, including interim periods in our fiscal year 2019. Early adoption is permitted. The Group is in the process of determining the method of adoption and assessing the impact of this ASU on our consolidated results of operations, cash flows, financial position and disclosures.

- The FASB issued ASU 2016-13 "Financial Instruments-credit losses": Its significantly changes how companies measure and recognize credit impairment for many financial assets. The new current expected credit loss model will require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets that are in the scope of the standard. The ASU also makes targeted amendments to the current impairment model for available-for-sale debt securities. The ASU will be effective for us beginning January 1, 2021, including interim periods in our fiscal year 2021. Early adoption is permitted. The Group is in the process of determining the method of adoption and assessing the impact of this ASU on our consolidated results of operations, cash flows, financial position and disclosures.

3. Financial instruments and concentration of credit risk

Financial instruments that potentially subject the Group to concentration of credit risk are reflected principally in cash and cash equivalents including restricted cash, trade accounts receivable including unbilled revenue, prepaid and other current assets including investment securities, and derivative financial instruments.

The Group operates in certain highly regulated markets such as North America and Europe. The Group places its cash and cash equivalents and derivative financial instruments with corporations and banks with high investment grade ratings, limits the amount of credit exposure with any one corporation or bank and conducts ongoing evaluation of the credit worthiness of the corporations and banks with which it does business.

The customers of the Group are spread across North America, Europe, Asia and rest of world regions though majority of customers are based out of North America, and accordingly, trade accounts receivables are concentrated in these geographies. To reduce credit risk, the Group performs ongoing credit evaluation of customers. For the three months ended September 30, 2016 and September 30, 2015, one customer, having 10% share and 12% share in consolidated revenue for each of the period, respectively. For the six months ended September 30, 2016 and September 30, 2015, one customer, having 10% share and 12% share in consolidated revenue for each of the period, respectively. One customer is having 19% share in total trade receivables as of September 30, 2016 and March 31, 2016. For the three months ended September 30, 2016 and September 30, 2015, one product individually accounted for approximately 16% share and 17% share of net revenue for each of the period, respectively. For the six months ended September 30, 2016 and September 30, 2015, one product individually accounted for approximately 16% share of net revenue for each of the period.

For investment securities, the management performs periodic valuation to assess recoverability of its investments.

By their nature, all financial instruments stated above involve risk including the credit risk of non-performance by counter parties. In management’s opinion, as of September 30, 2016 and as of March 31, 2016, other than those already accounted for, there was no significant risk of loss in the event of non-performance of the counter parties to these financial instruments.

4. Accounting for Common Control transaction

During the period ended 30 September 2016, the Group consummated the following common control transaction:

(i) Effective September 23, 2016, JPL, Singapore had transferred its wholly owned subsidiary marked as “*” in note 1 to a company in Singapore (Jubilant Life Sciences International Pte. Limited), a wholly owned subsidiary of Jubilant India. #

(ii) Effective September 23, 2016, the Group has transferred its investment in Safe Foods Corporation to Jubilant Life Sciences International Pte. Limited (refer note 12).

(All amounts in United States Dollars, unless otherwise stated)

The entity came under common control in years earlier than year ended March 31, 2016 and therefore, this transfer being transaction between common control entities, this entity has been deconsolidated retrospectively from the date the entities came under common control. This being a transaction without consideration, carrying amount of this investment of 106,927 is derecognized and correspondingly recorded as an adjustment to opening additional paid in capital in periods prior to all periods presented.

As a result of the common control transactions mentioned in (i) and (ii) above, following restatements have been made in the previous year audited financial statements.

Particulars	Restated previous year figures	Previous year figures as per audited financial statements
Additional paid in capital	(70,238,455)	(67,958,028)
Retained earnings	(23,300,677)	(23,399,745)
Accumulated other comprehensive income	(32,011,136)	(32,013,639)
Investment securities	-	2,173,500
Due to related parties	20,130,328	20,124,972

5. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of September 30, 2016	As of March 31, 2016
Balance with banks*	26,384,803	29,027,527
Cash in hand	13,242	10,932
Funds in transit	-	324,602
	26,398,045	**29,363,061**

* Including balances in money market accounts.

6. Restricted cash

	As of September 30, 2016	As of March 31, 2016
Restricted cash - current portion (a)	60,633	69,821
Restricted cash - non-current portion (a)	2,240	2,252
	62,873	**72,073**

(a) Restricted cash represents margin money with banks.

7. Trade accounts receivable balance amounting to 86,970,760 and 96,353,664 as of September 30, 2016 and March 31, 2016, respectively is presented net of allowance for doubtful receivables.

(All amounts in United States Dollars, unless otherwise stated)

The following table provides details of reserve for doubtful receivables as recorded by the Group:

	Six months ended September 30, 2016	**Year ended March 31, 2016**
Balance at the beginning of the period/ year	2,183,205	2,667,870
Additional allowance	96,245	216,630
Recoveries of bad debts	-	61,695
Bad debts charged to allowance	(48,823)	(782,357)
Translation adjustment	(11,855)	19,367
Balance at the end of the period/ year	**2,218,772**	**2,183,205**

8. Inventories

Inventories, net of reserves consist of the following:

	As of September 30, 2016	**As of March 31, 2016**
Raw materials	36,974,555	36,376,774
Work-in-process	26,851,799	26,315,376
Finished goods	30,356,727	29,143,789
Stores and spares	13,198,548	12,120,485
	107,381,629	**103,956,424**

9. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	As of September 30, 2016	**As of March 31, 2016**
Prepaid expenses	5,009,664	3,380,880
Recoverable from government authorities	8,516,621	10,208,074
Advance taxes	902,479	17,359,692
Recoverable towards sale of investment	-	2,765,009
Notes receivable	2,823,027	2,990,231
Others	2,907,023	1,916,975
	20,158,814	**38,620,861**

10. Property, plant and equipment, net

Property, plant and equipment, net consist of the following:

	As of September 30, 2016	**As of March 31, 2016**
Property Plant and equipment, gross	424,891,205	416,095,297
Less: Accumulated depreciation and amortization	(165,854,222)	(155,369,594)
	259,036,983	**260,725,703**

(All amounts in United States Dollars, unless otherwise stated)

11. Goodwill and intangible assets, net

Goodwill

The following table represents the changes in the carrying amount of goodwill for the six months ended September 30, 2016 and year ended March 31, 2016:

	As of September 30, 2016	As of March 31, 2016
Balance at the beginning of the period/ year		
Goodwill	187,472,779	187,942,930
Accumulated impairment losses	(31,492,820)	(31,492,820)
	155,979,959	**156,450,110**
Translation adjustment	(1,469,774)	(470,151)
Balance at the end of the period/ year		
Goodwill	186,003,005	187,472,779
Accumulated impairment losses	(31,492,820)	(31,492,820)
	154,510,185	**155,979,959**

Intangible assets, net

Information regarding the Group’s intangible assets acquired either individually, with a group of other assets or in a business combination is as follows:

	As of September 30, 2016	As of March 31, 2016
Gross carrying value		
-Customer contracts and relationship intangibles	14,586,225	14,354,056
-Abbreviated New Drug Applications (ANDA's)	29,715,000	30,210,784
-Patents, know how	3,185,574	3,235,463
-Intellectual property rights	1,447,762	1,452,299
	48,934,561	**49,252,602**
Accumulated amortization		
-Customer contracts and relationship intangibles	14,586,225	14,354,056
-Abbreviated New Drug Applications (ANDA's)	26,236,251	26,101,974
-Patents, know how	3,185,574	3,235,463
-Intellectual property rights	1,447,761	1,452,299
	45,455,811	**45,143,792**
Net carrying value	**3,478,750**	**4,108,810**

(All amounts in United States Dollars, unless otherwise stated)

12. Investment securities

Detail of investments securities are as follows:

	As of September 30, 2016	As of March 31, 2016
Investment in common stock	-	-
	-	-

JPL, Singapore has transferred its investment in Safe Foods Corporation to Jubilant Life Sciences International Pte. Limited.

The above transaction came under common control in years earlier than year ended March 31, 2016 and therefore, the transfer being transaction between common control entities, investment have been retrospectively adjusted. This being a transaction without consideration, carrying amount of this investment of 2,173,500 is derecognized and correspondingly recorded as an adjustment to opening additional paid in capital in periods prior to all periods presented.

Further, the Group has investment in corporate bonds amounting to 268,487 as of September 30, 2016 and March 31, 2016, which has been classified as held to maturity investment. This investment in corporate bonds was fully impaired in earlier years.

13. Depreciation and amortization

The Group's underlying accounting records do not contain an allocation of depreciation and amortization between cost of goods sold, selling, general and administration expenses and research and development expenses. As such, the charge for depreciation and amortization has been presented as a separate line item in the condensed consolidated statement of income.

14. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of September 30, 2016	As of March 31, 2016
Accrued employee cost	9,201,093	11,036,893
Accrued expenses	7,662,412	6,211,425
Income taxes payable	6,348,746	19,076,175
Advance from customers	1,629,362	3,139,905
Other liabilities	7,573,112	6,333,654
	32,414,725	**45,798,052**

(All amounts in United States Dollars, unless otherwise stated)

15. Long term debt

Long term debt consists of the following:

Nature of debt	**As of September 30, 2016**	**As of March 31, 2016**
Revolving credit loan	22,228,606	38,315,560
Finance lease obligation	150,772	121,070
Term loan	155,882,594	167,656,746
Term loan – A	85,681,158	85,406,418
Term loan – C	60,000,000	60,000,000
Total	**323,943,130**	**351,499,794**
Less: current portion	(20,517,691)	(24,815,076)
	303,425,439	**326,684,718**

Subsequent to period end, on October 06, 2016 the Group issued its rated unsecured high yield bonds (the Notes) for principle amount of 300 million at a yield of 4.875% per annum, under Regulation S of the U.S. Securities Act of 1933. The notes will mature in October 2021 and the proceeds are being used to retire the existing debts. In accordance with ASC 470 on Debt, the proceeds, to the extent planned for being used to repay existing short term borrowings and current portion of long term debt should be excluded from current liabilities. Such amount outstanding as at September 30, 2016 has been included under non- current portion of short term borrowings and long term debt amounting to 29,301,073 and 39,426,556 respectively.

16. Short term borrowings

Short term borrowings consist of the following:

Nature of borrowing	**As of September 30, 2016**	**As of March 31, 2016**
Revolving credit facility	-	8,000,000
Working capital loan – current portion	31,862,499	37,701,814
Total (refer note 15)	**31,862,499**	**45,701,814**
Less: non - current portion	(29,301,073)	-
	2,561,426	**45,701,814**

17. Employee benefit plans

Defined benefit plans

The Group has a defined benefit retirement plan (the "Gratuity Plan"). The gratuity plan covers all the employees based in India which consists of only Carved in Divisions. The Gratuity Plan provides a lump sum payment to vested employees upon retirement or termination of employment based on each employee's salary and duration of employment with the Group. The Gratuity Plan benefit cost for the year is calculated on an actuarial basis in accordance with projected unit credit method.

(All amounts in United States Dollars, unless otherwise stated)

The gratuity liability for employees covered under this plan is funded with Life Insurance Corporation of India. Life Insurance Corporation of India's overall investment strategy is to invest predominantly in fixed income funds managed by asset management companies and the valuation is performed using net asset value of these funds, the details of Investment maintained by Life Insurance Corporation are not available with the group, hence not disclosed. For non-Indian entities of the Group, the Group does not have any defined benefit plan but has a defined contribution plan as detailed above.

Net defined benefit plan costs for the three ended September 30, 2016 and 2015 and for the six months ended September 30, 2016 and 2015 include the following components:

	Three months ended September 30, 2016	**Three months ended September 30, 2015**	**Six months ended September 30, 2016**	**Six months ended September 30, 2015**
Service costs	50,217	63,234	109,338	156,932
Interest costs	21,602	23,353	47,033	57,956
Expected return on plan assets	(4,201)	(5,588)	(9,146)	(13,869)
Net actuarial loss	17,752	76,408	38,653	189,626
Net gratuity plan costs	**85,370**	**157,407**	**185,878**	**390,645**

The above stated net defined benefit plan costs for the three and six months ended September 30, 2016 and 2015 has been included in property, plant and equipment, cost of goods sold, selling, general and administration expenses and research and development expenses.

18. Derivative financial instruments

Interest rate risk management

Objectives and context

The Group generally uses variable rate debt to finance its operations. These debt obligations expose the Group to variability in interest payments due to changes in the spread, which is the primary underlying exposure of the aforementioned debt. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense also decreases. The Group enters into derivative contracts to manage fluctuation in interest rates.

Strategies

To meet this objective, the Group enters into various types of derivative instruments to manage fluctuations in cash flows resulting from interest rate risk attributable to changes in the benchmark interest rate of borrowings. These instruments include benchmark interest rate based interest rate swaps. Under the interest rate swaps, the Group receives benchmark interest rate based variable interest rate payments and makes fixed interest rate payments, thereby creating fixed-rate long-term debt. The purchased interest rate agreements protect the Group from variation in interest rate spread.

Risk management policies

The Group assesses interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Group maintains risk management control systems to monitor interest rate cash flow risk attributable to both the Group's outstanding or forecasted debt obligations as well as the Group's offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on the Group's future cash flows.

Foreign currency risk management

Objectives and context

The Group operates internationally; therefore, its earnings, cash flows, and financial position are exposed to foreign currency risk from foreign-currency-denominated receivables, payables, borrowings and forecasted sales transactions. Thus, a foreign currency risk is a primary underlying exposure from these assets, liabilities and transactions. The Group enters into derivative contracts to manage such risks.

Strategies

The Group periodically assesses amount and timing of its foreign currency inflows and outflows and enters into derivative contracts for a portion of its exposure, to hedge the price risk associated with fluctuations in market prices. The derivative contracts limit the unfavorable effect that price fluctuations will have on foreign currency cash flows.

Risk management policies

The Group believes it is prudent to minimize the variability caused by foreign currency risk. Management attempts to minimize foreign currency risk by pricing contracts in U.S. Dollars and by using derivative hedging instruments when necessary on the basis of their continuous monitoring of foreign currency risk.

The gain recognized in condensed consolidated statements of income, and their effect on financial performance is summarized below:

Derivatives not designated as hedging instruments	**Location of (gain)/ loss recognized in condensed consolidated statements of income**	**Amount of (gain)/ loss recognized in condensed consolidated statements of income**
Three months ended September 30, 2016		
Foreign exchange forward contracts	-	-
Three months ended September 30, 2015		
Foreign exchange forward contracts	Other (income)/expenses, net	426,143
Six months ended September 30, 2016		
Foreign exchange forward contracts	-	-
Six months ended September 30, 2015		
Foreign exchange forward contracts	Other (income)/expenses, net	386,009
Interest rate swaps	Other (income)/expenses, net	(109,997)

(All amounts in United States Dollars, unless otherwise stated)

19. Common stock

The Company has one class of common stock. The holders of common stock of the Company are entitled to one vote per common stock. Upon the liquidation, dissolution or winding up of respective entities, shareholders are entitled to receive a ratable share of the available net assets of the respective entity after payment of all debts and other liabilities. This common stock has no preemptive, subscription, redemption or conversion rights.

20. Other operating income, net

Other operating income, net consists of the following:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Six months ended September 30, 2016	Six months ended September 30, 2015
Scrap sales	148,558	199,260	314,775	331,582
Foreign exchange gain/ (loss), net	107,369	421,022	148,142	928,140
Export incentives	2,242,718	744,659	3,315,865	1,491,733
Others	21,709	173,082	140,521	533,916
	2,520,354	**1,538,023**	**3,919,303**	**3,285,371**

21. Other (income)/ expenses, net

Other (income)/ expenses, net comprises of the following:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Six months ended September 30, 2016	Six months ended September 30, 2015
Interest income	(5,443)	(35,830)	(145,764)	(89,204)
Finance cost *	5,085,042	6,568,566	10,517,982	10,639,200
(Profit)/ loss on sale of property, plant and equipment, net	(26,375)	120,578	(33,552)	135,091
Foreign exchange loss, net	466,289	(1,000,236)	693,581	290,784
Expense on stock settled debt instrument	1,275,000	1,700,000	2,550,000	3,200,000
Others	28,224	(189,854)	9,994	(129,728)
	6,822,737	**7,163,224**	**13,592,241**	**14,046,143**

* net of interest capitalised

(All amounts in United States Dollars, unless otherwise stated)

22. Income taxes

The Income tax expense from continuing operations consists of the following:

	Six months ended September 30, 2016	Six months ended September 30, 2015
Current taxes	8,857,345	8,732,542
Deferred taxes	(1,562,413)	(3,784,498)
Income tax expense	**7,294,932**	**4,948,044**

The items accounting for the difference between income taxes computed at the federal and state statutory rates and the income tax expense are as follows:

	Six months ended September 30, 2016	Six months ended September 30, 2015
Income before income tax expense	39,468,159	34,926,826
Statutory tax rates	17.00%	17.00%
Computed expected income tax expense	6,709,587	5,937,560
Research and development and other tax credits	(3,578,863)	(4,775,939)
Valuation allowance created during the period	(33,468)	154,480
Effect of difference in tax rates	5,255,929	4,628,503
Adjustment on account of change in exchange rates	17,761	(189,496)
State tax	108	318,880
Others	(1,076,122)	(1,125,944)
Total taxes	**7,294,932**	**4,948,044**

23. Related party transactions

The Group has entered into related party transactions with the following related parties:

Jubilant Life Sciences Limited (‘holding company of Jubilant Pharma Limited’)
Jubilant Clinsys Limited (‘affiliate’)
Jubilant Innovation (USA) Inc. (‘affiliate’)
Jubilant Chemsys Limited (‘affiliate’)
Jubilant Life Sciences (USA) Inc. (‘affiliate’)
Jubilant Biosys Limited (‘affiliate’)
Jubilant Discovery Services Inc. (‘affiliate’)
Jubilant Drug Discovery & Development Services Inc. (‘affiliate’)
Jubilant Life Sciences NV (‘affiliate’)
Jubilant Life Sciences International Pte Limited (‘affiliate’)
Jubilant Agri and Consumer Products Limited (‘affiliate’)
Vam Employees Provident Fund Trust (‘affiliate’)
Jubilant Oil & Gas Private Limited (‘affiliate’)
Jubilant Life Sciences (Switzerland) AG, Schaffhausen (‘affiliate’)

(All amounts in United States Dollars, unless otherwise stated)

The related party transactions can be categorized as follows:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Six months ended September 30, 2016	Six months ended September 30, 2015
Services rendered by :				
- Jubilant Clinsys Limited	-	45,817	-	88,572
- Jubilant Biosys Limited	325	-	2,567	-
- Jubilant Life Sciences Limited	34,310	-	132,068	-
- Jubilant Life Sciences (USA) Inc.	56,361	61,400	112,722	126,500
- Jubilant Chemsys Limited	782	8,869	7,612	10,120
Purchase of goods/raw material from :				
- Jubilant Life Sciences Limited	2,515,000	341,445	4,512,710	572,742
- Jubilant Life Sciences International Pte Limited	823,329	3,823,471	1,552,528	8,633,759
Expenses incurred by :		-		
- Jubilant Life Sciences Limited	1,662,437	1,745,372	3,205,773	3,335,921
- Jubilant Life Sciences (USA) Inc.	-	121,890	-	126,690
- Jubilant Chemsys Limited	6,146	-	6,146	-
- Jubilant Life Sciences NV	33,252	37,391	81,693	72,832
Expenses incurred for :				
- Jubilant Life Sciences Limited	1,385,770	35,663	2,301,637	82,167
- Jubilant Life Sciences (USA) Inc.	35,529	12,259	83,335	34,550
- Jubilant Discovery Services Inc.	9,508	21,113	24,093	113,733
- Jubilant Drug Discovery & Development Services Inc.	-	9,895	-	12,294
- Jubilant Chemsys Limited	51,175	-	102,233	
- Jubilant Agri and Consumer Products Limited	15,466	15,793	30,896	31,838
Sale of goods to :				
- Jubilant Life Sciences Limited	5,661	165,692	44,040	628,198
- Jubilant Chemsys Limited	-	-	-	58
Borrowings taken :				
- Jubilant Innovation USA Inc.	-	-	3,000,000	-
Borrowings repaid :				
- Jubilant Life Sciences Limited	-	7,300,000	-	13,300,000

(All amounts in United States Dollars, unless otherwise stated)

	Three months ended September 30, 2016	Three months ended September 30, 2015	Six months ended September 30, 2016	Six months ended September 30, 2015
Interest on borrowings/ payable for business purchase :				
- Jubilant Life Sciences Limited	-	1,220,298	-	101,506
- Jubilant Innovation USA Inc.	30,666	-	39,999	-
Contribution to provident fund trust :				
-Vam Employees Provident Fund Trust	174,974	159,055	336,532	308,972
Rent expenses * :				
- Jubilant Life Sciences Limited	206,860	200,103	413,239	403,395
Purchase of property, plant and equipment from :				
- Jubilant Oil & Gas Private Limited	-	-	-	2,103

* represents rent for office space taken under operating lease from Jubilant Life Sciences Limited.

The management is of the opinion that its related party transactions are at arm's length and will not have any impact on the condensed consolidated financial statements, particularly on the amount of tax expense and that of provision for taxation. All the related party transactions are settled in the normal course of business and as per contractual obligations, if any.

The balances receivable from and payable to related parties are summarized as follows:

Due from related parties

Trade and other receivables from related party

	As of September 30, 2016	As of March 31, 2016
Jubilant Discovery Services Inc.	220,004	316,445
Jubilant Chemsys Limited	33,680	109,743
Jubilant Drug Discovery and Development Services Inc.	39	40
Jubilant Biosys Limited	-	167,442
	253,723	**593,670**

Due to related parties

Short term debt (including interest) payable

	As of September 30, 2016	As of March 31, 2016
Jubilant Innovation (USA) Inc.	3,039,999	-
	3,039,999	-

(All amounts in United States Dollars, unless otherwise stated)

Trade and other payables to related party

	As of September 30, 2016	As of March 31, 2016
Jubilant Clinsys Limited	1,641,874	1,643,447
Jubilant Life Sciences Limited	11,914,584	9,026,651
Jubilant Life Sciences (USA) Inc.	326,066	514,885
Jubilant Life Sciences NV	175,017	601,923
Vam Employees Provident Fund Trust	166,128	139,184
Jubilant Biosys Limited	47,898	-
Jubilant Life Sciences (Switzerland) AG, Schaffhausen	3,181	5,356
Jubilant Life Sciences International Pte Limited	869,712	2,590,875
	15,144,460	**14,522,321**

Payable for business purchase – (including interest)

	As of September 30, 2016	As of March 31, 2016
Jubilant Life Sciences Limited	-	5,608,007
	-	**5,608,007**

(All amounts in United States Dollars, unless otherwise stated)

24. Segments

Jubilant Pharma has, on the basis on an assessment of the level of operating results as regularly reviewed by its chief operating decision maker (‘CODM’) in order to make decisions about resources to be allocated to the segment and assess its performance, identified pharmaceuticals as the only reportable segment. This reportable segment focuses on generic and specialty pharmaceutical products.

The Components of ‘Other activities’ represents trading in non-pharmaceutical products through its subsidiary in China. The operations in China is not considered to be a reportable segment as it did not meet the quantitative thresholds criteria as at and for the year ended March 31, 2016 and six month ended September 30, 2016 and the operating performance thereof is not considered significant from the Company perspective as the business in China is proposed to be transferred to Jubilant India.

Enterprise-wide disclosure about product sales, revenue and long lived assets by geographical area and revenue from major customers for the reportable segment being pharmaceutical are presented below:

a. Segment information:

		Pharmaceuticals		Others		Total	
		Three months ended		Three months ended		Three months ended	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
i.	Revenues, net	112,331,607	109,627,239	3,249,119	4,433,754	115,580,726	114,060,993
ii.	Research and development expenses	7,787,151	7,049,544	-	-	7,787,151	7,049,544
iii.	Net income	16,064,546	14,995,716	26,779	(207,763)	16,091,325	14,787,953
	Income tax expense	3,463,966	2,515,328	-	-	3,463,966	2,515,328
	Profit/ (loss) before tax	19,528,512	17,511,044	26,779	(207,763)	19,555,291	17,303,281
	Interest income	4,181	33,203	1,262	2,628	5,443	35,830
	Finance cost*	6,357,160	8,253,767	2,882	14,799	6,360,042	8,268,566
	Depreciation and amortization	5,968,621	6,047,728	1,139	1,613	5,969,760	6,049,341
iv.	Earnings before interest, depreciation and tax	31,850,112	31,779,336	29,538	(193,979)	31,879,650	31,585,357

(All amounts in United States Dollars, unless otherwise stated)

		Pharmaceuticals		Others		Total	
		Six months ended		Six months ended		Six months ended	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
i.	Revenues, net	223,663,134	219,218,742	7,440,821	12,174,052	231,103,955	231,392,794
ii.	Research and development expenses	14,071,802	13,182,459	-	-	14,071,802	13,182,459
iii.	Net income	32,013,569	29,977,047	159,658	1,735	32,173,227	29,978,782
	Income tax expense	7,294,932	4,948,044	-	-	7,294,932	4,948,044
	Profit/ (loss) before tax	39,308,501	34,925,091	159,658	1,735	39,468,159	34,926,826
	Interest income	142,201	84,062	3,563	5,142	145,764	89,204
	Finance cost *	13,057,904	13,783,444	10,078	55,756	13,067,982	13,839,200
	Depreciation and amortization	11,877,790	12,272,925	2,299	3,267	11,880,089	12,276,192
iv.	Earnings before interest, depreciation and tax	64,101,994	60,897,398	168,472	55,616	64,270,466	60,953,014

* Including expense on stock settled debt instrument.

b. Goodwill by geographical location:

	Pharmaceuticals		Others	
	As of		As of	
	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016
North America	144,254,511	145,563,338	-	-
Europe	10,255,674	10,416,621	-	-
Total	**154,510,185**	**155,979,959**	**-**	**-**

(All amounts in United States Dollars, unless otherwise stated)

c. Segment revenues by geographic area:

	Pharmaceuticals		Others		Total	
	Three months ended		Three months ended		Three months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
North America	81,364,535	79,614,474	-	-	81,364,535	79,614,473
Europe	11,578,587	15,004,853	-	-	11,578,587	15,004,853
Asia	9,207,407	6,578,067	3,249,119	4,433,754	12,456,526	11,011,821
Rest of the world	10,181,078	8,429,846	-	-	10,181,078	8,429,846
Total	**112,331,606**	**109,627,240**	**3,249,119**	**4,433,754**	**115,580,726**	**114,060,993**

	Pharmaceuticals		Others		Total	
	Six months ended		Six months ended		Six months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
North America	158,233,134	163,211,541	-	-	158,233,134	163,211,541
Europe	25,342,866	24,748,206	-	-	25,342,866	24,748,206
Asia	17,357,000	13,331,706	7,440,821	12,174,051	24,797,821	25,505,757
Rest of the world	22,730,134	17,927,290	-	-	22,730,134	17,927,290
Total	**223,663,134**	**219,218,743**	**7,440,821**	**12,174,051**	**231,103,955**	**231,392,794**

d. Segment revenues by business:

	Three months ended		Six months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Generics	55,943,781	48,267,692	106,121,771	100,797,860
Speciality Pharma	56,387,826	61,359,548	117,541,363	118,420,882
Others	3,249,119	4,433,753	7,440,821	12,174,052
Total Revenue	**115,580,726**	**114,060,993**	**231,103,955**	**231,392,794**

25. Commitments and contingencies

Capital Commitments

As of September 30, 2016 and March 31, 2016, the Group had committed to spend 10,590,236 and 8,525,703, respectively under agreements to purchase property, plant and equipment and computers, respectively. This amount is net of capital advances paid in respect of these purchases.

Other commitments

Exports obligation undertaken by the Group under EPCG scheme to be completed over a period of six years on account of import of capital goods with no import duty and remaining outstanding is 1,160,862 and 1,286,800 as of September 30, 2016 and March 31, 2016, respectively. Export obligation under Advance License Scheme on duty free import of specific raw materials, remaining outstanding is 10,349,359 and 15,421,361 as of September 30, 2016 and March 31, 2016, respectively.

Contingencies

The Group, as a result of its nature of business, is subject to penalties by customers on account of various reasons like recall, service levels etc. The Group may become subject to various products liability, consumer, commercial, environmental and tax litigations and claims, government investigations and other legal proceedings that may arise in future.

The Group accrues for contingencies to the extent that the management concludes their occurrence is probable and the related liabilities are estimable.

The aggregate amount of claims not acknowledged as debt as of September 30, 2016 and March 31, 2016 was 4,880,569 and 4,761,108, respectively. Outstanding guarantees furnished by banks on behalf of the Group as of September 30, 2016 and March 31, 2016 were 20,400 and 20,514, respectively.

A customer has filed a claim against a subsidiary of the Group located in Belgium for alleging contravention of certain provisions of Licencing and Supply agreement between the parties and claiming damages amounting to 2,327,389 and 2,370,933 (excluding interest) as of September 30, 2016 and March 31, 2016, respectively . The Group has also filed a counter claim against this customer for damages amounting to 2,658,338 and 2,708,073 of September 30, 2016 and March 31, 2016, respectively in the same dispute. The case is under arbitration.

Further, during the year ended March 31, 2014, the Group had received warning letters from U.S. Food and Drug Administration (“U.S. FDA”) for its pharmaceutical sterile manufacturing facility located in Spokane, Washington, (USA). The letters were related to process implementation/improvements plans noticed by U.S. FDA. During the year ended March 31, 2016, the Group was informed by the U.S. FDA that the above facility has been upgraded to the status of Voluntary Action Indicated (VAI). The Spokane site’s latest Establishment Inspection Report (EIR) indicates the inspections have been successfully concluded.

(All amounts in United States Dollars, unless otherwise stated)

26. Fair value measurement

The following table presents the carrying amounts and estimated fair values of the Group's financial instruments as of September 30, 2016 and as of March 31, 2016. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Some of the Group's financial instruments, such as cash and cash equivalents, receivables and payables, are reflected in the balance sheet at carrying value, which approximates fair value due to their short-term nature. The fair value of long-term debt was based upon a discounted cash flow analysis that used the aggregate cash flows from principal and interest payments over the life of the debt and current market interest rates.

	As of September 30, 2016		**As of March 31, 2016**	
	Carrying Amount	**Fair value**	**Carrying Amount**	**Fair value**
Financial assets				
Cash and cash equivalents	26,398,045	26,398,045	29,363,061	29,363,061
Trade accounts receivable, net	86,970,760	86,970,760	96,353,664	96,353,664
Restricted cash - current portion	60,633	60,633	69,821	69,821
Due from related parties	253,723	253,723	593,670	593,670
Restricted cash - non - current portion	2,240	2,240	2,252	2,252
Other current assets	3,312,486	3,312,486	6,433,213	6,433,213
Financial liabilities				
Short term borrowings	2,561,426	2,561,426	45,701,814	45,701,814
Current portion of long term debt	20,517,691	20,517,691	24,815,076	24,815,076
Trade accounts payable	29,319,401	29,319,401	31,419,532	31,419,532
Due to related parties	18,184,459	18,184,459	20,124,972	20,124,972
Other financial liabilities - current portion	22,528,952	22,528,952	21,899,445	21,899,445
Long term debt, excluding current portion	303,425,439	302,915,996	326,684,718	324,777,109
Short term borrowings - non - current	29,301,073	29,301,073	-	-
Other financial liabilities - non - current portion	16,172,717	16,172,717	14,955,739	14,955,739

(All amounts in United States Dollars, unless otherwise stated)

The following details our financial instruments where the carrying value and the fair value differ:

Year/ period	Financial Instrument	Carrying Value	Markets for Identical item (Level1)	Significant Other Observable Inputs (Level2)	Significant Unobservable Inputs (Level3)
As at September 30, 2016	Long term debt, excluding current portion	303,425,439	-	302,915,996	
As at March 31, 2016	Long term debt, excluding current portion	326,684,718	-	324,777,109	

27. Subsequent events

The Group evaluated all events and transactions that occurred after September 30, 2016 up through October 24, 2016. Based on the evaluation, the Group is not aware of any events or transactions that would require recognition or disclosure in the condensed consolidated financial statements, except as mentioned in note 15.