

B S R & Co. LLP

Chartered Accountants

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Independent Auditor's Report

To the Members of **Jubilant Chemsys Limited**

1. Report on the Financial Statements

We have audited the accompanying financial statements of Jubilant Chemsys Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016, and its profit and its cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

(i) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure I" a Statement of the matters specified in paragraphs 3 and 4 of the Order.

(ii) As required by Section 143 (3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure II".
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements. Also Refer to note 23 (b) and (c) to the financial statements;
 - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;



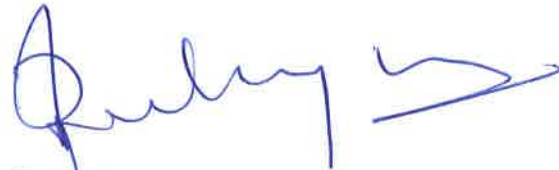
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- (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration No.: 101248W/W-100022



Pravin Tulsyan

Partner

Membership No: 108044

Place: Noida

Date: 23-May-2016

Annexure I referred to in paragraph 5 (i) of the Independent Auditor's Report to the Members of Jubilant Chemsys Limited on the accounts for the year ended 31 March 2016

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, the Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified over a period of three years, and in accordance therewith, a portion of fixed assets has been physically verified by the management during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As explained to us, no material discrepancies were noticed on such verification.
- (c) The Company does not hold any immoveable property. Accordingly, paragraph 3(i)(c) of the Order is not applicable.
- (ii) The inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its business. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) In our opinion and according to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraph 3(iii) (a) to (c) of the order are not applicable.
- (iv) According to the information and explanations given to us and on the basis of our examination of records, the Company has not made any investment or granted any loans or provided any guarantees or security to the parties covered under Section 185 and Section 186 of the Act.
- (v) The Company has not accepted any deposits from the public.
- (vi) The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act for any of the products manufactured/services rendered by the company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.



- (b) According to the information and explanations given to us, there are no dues of service tax, duty of excise, duty of customs and value added tax which have not been deposited with the appropriate authorities. According to the information and explanations given to us, the following dues of income tax have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of the Dues	Amount involved (Rs. In '000)	Amount paid under protest (Rs. in '000)	Financial year to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	403	-	2007-08	ITAT
Income Tax Act, 1961	Income Tax	13,910	-	2008-09	ITAT
Income Tax Act, 1961	Income Tax	24,937	-	2009-10	ITAT
Income Tax Act, 1961	Income Tax	31,736	-	2011-12	CIT Appeals
Income Tax Act, 1961	Income Tax	32,417	-	2012-13	CIT Appeals

- (viii) The Company did not have any outstanding dues to any financial institution, bank, government or debenture holders during the year.
- (ix) As informed to us, the Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments). The Company did not have any term loans outstanding during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
- (x) According to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the course of our audit for the year.
- (xi) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the managerial remuneration paid and provided during the year are in accordance with the requirements as stipulated by the provisions of section 197 read with Schedule V to the Act.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) Based on our examination of the books of account and according to the information and explanations given to us, all transactions with the related parties are in compliance with section 188 of the Act where applicable and the details of such related party transactions have been disclosed in the Financial Statements, as required by Accounting Standard 18, Related Party Disclosure, specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. As informed to us, requirements as stipulated by the provisions of section 177 of the Act are not applicable to the Company.

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- (xiv) According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provision of paragraph 3(xvi) of the Order is not applicable.

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration No.: 101248W/W-100022



Pravin Tulsyan

Partner

Membership No.: 108044

Place: Noida

Date: 23-May-2016

Annexure II referred to in paragraph 5 (ii)(f) of the Independent Auditor's Report to the Members of Jubilant Chemsys Limited being report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Jubilant Chemsys Limited ("the Company") as of 31 March 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.


Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration No.: 101248W/W-100022



Pravin Tulsyan

Partner

Membership No.: 108044

Place: Noida

Date: 23-May-2016

Jubilant Chemsys Limited
Balance Sheet As at 31 March 2016

(Rs. in thousands)

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	81,998	81,998
Reserves and surplus	3	426,744	390,852
		508,742	472,850
Non-current liabilities			
Long-term provisions	4	27,735	22,228
		27,735	22,228
Current liabilities			
Trade payables	5		
Total outstanding dues of micro enterprises and small enterprises	27	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		64,058	32,797
Other current liabilities	6	20,193	18,897
Short-term provisions	7	10,523	5,530
		94,774	57,224
Total		631,251	552,302
ASSETS			
Non-current assets			
Fixed assets			
Tangible fixed assets	8	216,462	181,566
Intangible fixed assets	9	2,828	4,593
Capital work-in-progress	8	1,671	72,058
Long-term loans and advances	10	150,073	142,702
		371,034	400,919
Current assets			
Inventories	11	6,554	6,539
Trade receivables	12	158,566	77,788
Cash and bank balances	13	54,628	32,247
Short-term loans and advances	14	39,330	33,312
Other current assets	15	1,139	1,497
		260,217	151,383
Total		631,251	552,302
Summary of significant accounting policies			
Notes to the financial statements	1A		

1-37

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

For BSR & Co. LLP
Chartered Accountants
Firm Registration No.: 101248/W-100022

Pravin Tulsyan
Partner
Membership No.: 108044

Place : Noida
Date: 23 May 2016

For and on behalf of the Board of Directors of
Jubilant Chemsys Limited

S. N. Singh
Chairman
DIN:00010530

S. Bang
Director
DIN:00011327

Neopur Agarwal
Company Secretary

Jubilant Chemsys Limited
Statement of Profit and Loss for the year ended 31 March 2016

(Rs. in thousands)

	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
REVENUE			
Revenue from operations	16		
Sales of services		660,609	505,142
Other operating revenue		1,043	899
		661,652	506,041
Other income	17	765	360
Total revenue		662,417	506,401
EXPENSES			
Employee benefits expense	18	217,565	193,922
Finance costs	20	342	10
Depreciation and amortization	8,9	57,628	64,622
Other expenses	19	353,569	297,845
Total Expenses		629,104	556,399
Profit/(Loss) before exceptional items and tax		33,313	(49,998)
Exceptional items	21	(2,579)	(2,719)
Profit/(loss) before tax		35,892	(47,279)
Tax expenses:			
- Current tax		7,371	-
- MAT credit entitlement		(7,371)	-
- Deferred tax expense		-	2,484
		-	2,484
Profit/(loss) for the year		35,892	(49,763)
Basic profit/(loss) per share of Rs 10 each (Previous year Rs. 10 each) (In Rupees)	37	17.95	(24.88)
Diluted profit/(loss) per share of Rs 10 each (Previous year Rs. 10 each) (In Rupees)	37	4.38	(24.88)
Summary of significant accounting policies	1A		

Notes to the financial statements

1-37

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

For BSR & Co. LLP
Chartered Accountants
CAI Firm Registration No.: 101248W/W-100022

Pravin Tulsyan
Partner
Membership No.: 108044

Place : Noida
Date: 23 May 2016

For and on behalf of the Board of Directors of
Jubilant Chemsys Limited

S. N. Singh
Chairman
DIN:00010530

S. Bang
Director
DIN:00011327

Noopur
Noopur Agarwal
Company Secretary

Jubilant Chemsys Limited

Cash Flow Statement for the year ended 31 March 2016

(Rs. in thousands)

	For the year ended 31 March 2016	For the year ended 31 March 2015
A. Cash flows from operating activities :		
Profit/(loss) before tax	35,892	(47,279)
Adjustments:		
Depreciation and amortisation expense	57,628	64,622
Loss on sale/disposal/discard of fixed assets	-	3,810
Finance costs	342	10
Unrealised foreign exchange differences	2,105	(139)
Interest income	(348)	(314)
	59,727	67,989
Operating profit before working capital changes	95,619	20,710
(Increase)/decrease in trade and other receivables	(88,750)	479
(Increase)/decrease in inventories	(15)	864
Increase/(decrease) in current liabilities and provisions	43,296	(11,106)
Cash generated from operations	50,150	10,947
Income tax paid (net of refunds)	(2,254)	(2,942)
Net cash generated from operating activities	47,896	8,005
B. Cash flows from investing activities :		
Acquisition/purchase of fixed assets/capital work in progress	(25,745)	(62,349)
Sale of fixed assets	-	513
Movement in other bank balances	(2,178)	(500)
Interest received	314	220
Net cash used in investing activities	(27,609)	(62,116)
C. Cash flows from financing activities :		
Finance costs paid	(84)	(10)
Net cash used in financing activities	(84)	(10)
Net Increase/(decrease) in cash and cash equivalents (A+B+C)	20,203	(54,121)
Add: Cash and cash equivalents at the beginning of year	30,747	84,868
Cash and cash equivalents at the end of the year (refer note 13)	50,950	30,747

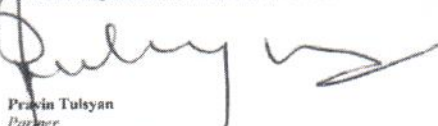
Notes:

- 1) Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard 3 (AS-3)-"Cash Flow Statements".
- 2) Purchase/acquisition of fixed assets includes movement of Capital Work-in-Progress during the year.

As per our report of even date attached

For BSR & Co. LLP
Chartered Accountants

ICAI Firm Registration No.: 101248W/W-100022

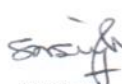


Pravin Tulsyan
Partner

Membership No.: 108044

Place : Noida
Date: 23 May 2016

For and on behalf of the Board of Directors of
Jubilant Chemsys Limited



S.N. Singh
Chairman
DIN:00010530

Noopur
Noopur Agarwal
Company Secretary



S. Bang
Director
DIN:00011327

JUBILANT CHEMSYS LIMITED

Notes to the financial statements for the year ended 31 March 2016

1. Corporate information

Jubilant Chemsys Limited (the Company) is a public limited company domiciled in India and incorporated under the provisions of Companies Act, 1956 and is the wholly owned subsidiary of Jubilant Life Sciences Limited (the ultimate holding company). The Company is into drug discovery services and offers discovery chemistry services, medicinal chemistry services, hit to lead and lead optimization and scaling up from mg to kg in kilo lab and pilot plant to global drug discovery companies.

1A. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

A. Basis of preparation and presentation of financial statements

The accounts of the Company are prepared under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the Accounting Standards specified under section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014, the other relevant provisions of the Companies Act, 2013, pronouncements of the Institute of Chartered Accountants of India, to the extent applicable. The financial statements are presented as per Schedule III to the Companies Act, 2013 and in Indian rupees rounded off to the nearest thousands.

Previous year's figures have been regrouped/rearranged wherever considered necessary to conform to current year's classification.

B. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting periods. Examples of such estimate include future obligations under employee benefit plans, income taxes, useful lives of tangible assets and intangible assets, impairment of assets, provision for doubtful debts etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could vary from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Appropriate changes in estimates are made as the management becomes aware of the changes in circumstances surrounding the estimates. Any revision to accounting estimates is recognized prospectively in current and future periods. Effect of material changes is disclosed in the notes to the financial statements.



JUBILANT CHEMSYS LIMITED

Notes to the financial statements for the year ended 31 March 2016

C. Current–non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria in accordance with Schedule III to the Companies Act, 2013 set out below:

Assets

An asset is classified as current when it satisfies any of the following criteria:

- a. it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- b. it is held primarily for the purpose of being traded;
- c. it is expected to be realised within 12 months after the reporting date; or
- d. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- a. it is expected to be settled in the company's normal operating cycle;
- b. it is held primarily for the purpose of being traded;
- c. it is due to be settled within 12 months after the reporting date; or
- d. the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

D. Tangible and Intangible fixed assets

Tangible fixed assets

Tangible fixed assets are stated at cost net of tax/duty credits availed, if any, less accumulated depreciation/impairment losses. The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

Tangible fixed assets under construction are disclosed as capital work-in-progress.



JUBILANT CHEMSYS LIMITED
Notes to the financial statements for the year ended 31 March 2016

Intangible fixed assets

Acquired intangible assets

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

Expenditure for acquisition and implementation of software systems is recognised as part of the intangible assets.

E. Depreciation and amortisation

Depreciation is provided on straight line method over the useful lives specified in Part 'C' of Schedule II of the Companies Act, 2013 ('the Act') read with notification dated 29 August 2014 of the Ministry of Corporate Affairs, on the original cost/ acquisition cost of assets or other amounts substituted for cost, except for the following classes of fixed assets which are depreciated based on the internal technical assessment of the management as under:

Category of assets	Management estimate of useful life	Useful life as per schedule II
Computer servers and networks	5 years	6 years
Employee perquisite related assets (except end user computers)	5 years, being the period of perquisite scheme	10 years

Depreciation/ amortization on assets added/disposed off during the year has been provided on pro-rata basis with reference to the date of addition/disposal.

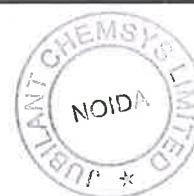
F. Impairment of fixed assets

Fixed assets are reviewed at each reporting date to determine if there is any indication of impairment. For assets in respect of which any such indication exists and for intangible assets mandatorily tested annually for impairment the asset's recoverable amount is estimated. For assets that are not yet available for use, the recoverable amounts estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets (Cash Generating Unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Impairment losses are recognised in the Statement of Profit and Loss.

If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists or has decreased, the assets or CGU's recoverable amount is estimated. The impairment loss is reversed to the extent that the asset's carrying amount does not exceed the



JUBILANT CHEMSYS LIMITED

Notes to the financial statements for the year ended 31 March 2016

carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such a reversal is recognised in the Statement of Profit and Loss.

G. Leases

Operating leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease payments under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit.

H. Valuation of inventories

The Company holds inventory of Consumable, Stores and Spares which are being used for rendering services to its customers. Such inventories are valued at lower of cost or net realizable value except scrap, which is valued at net estimated realizable value.

The methods of determining cost of various categories of inventories are as follows:

Consumables, stores and spares	Weighted average method
--------------------------------	-------------------------

Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition inclusive of excise duty wherever applicable.

I. Income taxes

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period.

Current tax

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the current year and reversal of timing differences for earlier years. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each Balance Sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Minimum alternate tax (MAT)

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. In the year in which MAT credit becomes eligible to be recognised as an asset in accordance with the recommendation contained in the Guidance Note on "Accounting for Credit Available in respect of Minimum Alternative Tax under The Income Tax Act, 1961" issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes



down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

J. Foreign currency conversions/ translations

Foreign currency transactions are recorded into Indian rupees by applying to the foreign currency amount the exchange rate between Indian rupees and the foreign currency on/or closely approximating to the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated into Indian rupees at the closing exchange rates on that date. The resultant exchange differences are recognised in the Statement of Profit and Loss.

K. Provisions, contingent liabilities and contingent assets

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed in respect of possible obligations that may arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

L. Employee benefits

- (i) *Short-term employee benefits:* All employee benefits falling due within twelve months of the end of the period in which the employees render the related services are classified as short-term employee benefits, which include benefits like salaries, wages, short term compensated absences, performance incentives, etc. and are recognised as expenses in the period in which the employee renders the related service and measured accordingly.
- (ii) *Post-employment benefits:* Post employment benefit plans are classified into defined contribution plans and defined benefit plans in line with the requirements of AS 15 on "Employee Benefits".

a. Gratuity

The liability in respect of Gratuity, a defined benefit plan, is recognised in the books of account based on actuarial valuation using projected unit credit method as at Balance Sheet date by an independent actuary. Actuarial gains and losses arising from the experience adjustment and change in actuarial assumption are immediately recognised in the Statement of Profit and Loss as an income or expense.

b. Provident fund

The Company makes provident fund contribution of its employees with Regional Provident Fund Commissioner. This is treated as defined contribution plan. Company's contribution to the provident fund is charged to Statement of Profit and Loss.



(iii) *Other long-term employee benefits:*

All employee benefits (other than post-employment benefits and termination benefits) which do not fall due within twelve months after the end of the period in which the employees render the related services are determined based on actuarial valuation carried out at each Balance Sheet date. Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits.

The Company's liability in respect of other long term employee benefits is actuarially determined (using the projected unit credit method) at the end of each year. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

(iv) *Termination benefits:*

Termination benefits are recognised as an expense when, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Actuarial valuation

The liability in respect of all defined benefit plans is accrued in the books of account on the basis of actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognizes each year of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs. Any differential between the plan assets (for a funded defined benefit plan) and the defined benefit obligation as per actuarial valuation is recognised as a liability if it is a deficit or as an asset if it is a surplus (to the extent of the lower of present value of any economic benefits available in the form of refunds from the plan or reduction in future contribution to the plan).

M. Revenue recognition

Revenue from services rendered is recognized when the services have been rendered, recovery of the consideration is reasonably assured and the amount of revenue can be measured reliably on the following criteria:

- (i) In respect of the projects taken up as per the specification of the customers, revenue is recognized on the approval of/delivery of compounds to the customers. Undelivered compound are shown deferred revenue.
- (ii) In respect of full time equivalent contracts, revenue is recognized on the basis of billable man-days actually spent.



JUBILANT CHEMSYS LIMITED

Notes to the financial statements for the year ended 31 March 2016

Interest income

Interest on the deployment of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction.

N. Earnings per share

The basic earnings per share is calculated by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax during the year and the weighted average number of shares outstanding during the year are adjusted for the effect of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the year unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Anti dilutive effect of any potential equity shares is ignored in the calculation of earnings per share.



Jubilant Chemsys Limited

Notes to the financial statements for the year ended 31 March 2016

(Rs. in thousands)

	As at 31 March 2016	As at 31 March 2015
2. SHARE CAPITAL		
Authorised		
2,000,000 equity shares of Rs. 10 each (Previous year 2,000,000 equity shares of Rs. 10 each)	20,000	20,000
48,000,000 preference shares of Rs. 10 each (Previous year 48,000,000 preference shares of Rs. 10 each)	480,000	480,000
	500,000	500,000
Issued, subscribed and paid up		
1,999,766 Equity Shares of Rs. 10 each (Previous Year 1,999,766 Equity Shares of Rs. 10 each)	19,998	19,998
6,200,000 8 % Optionally Convertible Non- cumulative Redeemable Preference Shares (Previous Year 6,200,000 8% Optionally Convertible Redeemable Preference Shares of Rs. 10 each)	62,000	62,000
	81,998	81,998

Rights, preferences and restrictions attached to class of shares:

2.1) The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividends as declared from time to time. The voting rights of equity shareholders on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. Voting rights can not be exercised in respect of shares on which any call or other sums presently payable have not been paid.

2.2) 8 % Optionally Convertible Non- cumulative Redeemable Preference Shares, whole or part of the shares in one or more tranches are redeemable, on or before the expiry of five years from the date of allotment. Redemption Schedule is as below :
6,200,000 Preference Shares are redeemable on 31 March 2018.

2.3) In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts, including to preference share holders. However, no such preferential amounts, except preference shares, exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

2.4) The details of shareholders holding more than 5% shares is set out below:

Name of the shareholder	As at 31 March 2016		As at 31 March 2015	
	Number of shares	% holding	Number of shares	% holding
Equity shares				
Jubilant Drug Development Pte Limited, the holding company (including 6 shares held by Jubilant Drug Development Pte Limited jointly with 6 different individuals)	1,999,766	100%	1,999,766	100%
8% Optionally convertible non- cumulative redeemable preference shares				
Jubilant Life Sciences Limited, the ultimate holding company	6,200,000	100%	6,200,000	100%

2.5) The reconciliation of the number of equity shares outstanding is set out below:

Particulars	As at 31 March 2016		As at 31 March 2015	
	Number of shares	Rs. in thousands	Number of shares	Rs. in thousands
Equity shares				
At the commencement and at the end of the year	1,999,766	19,998	1,999,766	19,998
8 % optionally convertible non- cumulative redeemable preference shares				
At the commencement and at the end of the year	6,200,000	62,000	6,200,000	62,000



Jubilant Chemsys Limited

Notes to the financial statements for the year ended 31 March 2016

2.6) Shares held by holding company/ultimate holding company and/or their subsidiaries/associates

Out of the equity shares issued by the Company, shares held by its holding company/ultimate holding company and/or their subsidiaries/associates are as below:

Name of the shareholder	As at 31 March 2016		As at 31 March 2015	
	Number of shares	Rs. in thousands	Number of shares	Rs. in thousands
Equity shares				
Jubilant Drug Development Pte Limited, the holding company*	1,999,766	19,998	1,999,766	19,998
8 % optionally convertible non- cumulative redeemable preference shares				
Jubilant Life Sciences Limited, the ultimate holding company	6,200,000	62,000	6,200,000	62,000
* The term holding company may be construed as per AS-18		81,998		81,998

2.7) During the year and in last five years, the Company has redeemed preference shares aggregating to Rs. 388,500 thousands. The Company has neither issued any bonus shares nor shares have been issued for consideration other than cash during the last five years.

3. RESERVES AND SURPLUS	(Rs. in thousands)	
	As at 31 March 2016	As at 31 March 2015
Capital redemption reserve		
At the commencement and at end of the year	388,500	388,500
Surplus in the Statement of Profit and Loss		
At the commencement of the year	2,352	56,939
Add: Adjustment on account of revised useful lives of fixed assets (refer note 28)	-	(4,824)
Add: Net profit/(loss) for the year	35,892	(49,763)
At the end of the year	38,244	2,352
	426,744	390,852
4. LONG TERM PROVISIONS		
Provision for employee benefits (refer note 31)	27,735	22,228
	27,735	22,228



Jubilant Chemsys Limited
Notes to the financial statements for the year ended 31 March 2016
(Rs. in thousands)

	As at 31 March 2016	As at 31 March 2015
5. TRADE PAYABLES		
Total outstanding dues of micro enterprises and small enterprises (refer note 27)	-	-
Total outstanding dues creditors other than micro enterprises and small enterprises	64,058	32,797
	64,058	32,797
6. OTHER CURRENT LIABILITIES		
Income received in advance/deferred revenue	3,369	-
Creditors for capital supplies and services	3,937	9,308
Employee benefits payable	8,859	7,718
Statutory dues	4,028	1,871
	20,193	18,897
7. SHORT-TERM PROVISIONS		
Provision for employee benefits (refer note 31)	5,147	5,530
Provision for income tax (net of advance tax Rs. 2,254 thousands (previous year Nil))	5,376	-
	10,523	5,530



Jubilant Chemsys Limited

Notes to the financial statements for the year ended 31 March 2016

8. TANGIBLE FIXED ASSETS

Description	GROSS BLOCK-COST/BOOK VALUE				DEPRECIATION			NET BLOCK	
	As at 1 April 2015	Additions/ adjustments during the year	Deductions/ adjustments during the year	As at 31 March 2016	Upto 1 April 2015	Provided during the year (1)	Deductions/ adjustments during the year	Upto 31 March 2016	As at 31 March 2015
Tangible Assets:									
Plant and Equipment	492,205	73,182	-	565,387	325,318	47,979	-	373,297	166,887
Furniture and Fixtures	30,853	6,009	75	36,787	20,869	6,526	74	27,321	9,984
Leasehold improvements	57,390	6,603	-	63,993	55,358	-	-	55,358	2,032
Office Equipments	25,598	4,901	-	30,499	22,935	1,293	-	24,228	2,663
TOTAL	606,046	90,695	75	696,666	424,480	55,798	74	480,204	181,566
Previous Year	618,590	606	13,150	606,046	363,597	69,710	8,827	424,481	
Capital Work in progress									72,058
									218,133
									253,624

9. INTANGIBLE FIXED ASSETS

Description	GROSS BLOCK-COST/BOOK VALUE				AMORTISATION			NET BLOCK	
	As at 1 April 2015	Additions/ adjustments during the year	Deductions/ adjustments during the year	As at 31 March 2016	Upto 1 April 2015	Provided during the year	Deductions/ adjustments during the year	Upto 31 March 2016	As at 31 March 2015
Intangible Assets:									
Software	11,545	65	-	11,610	6,952	1,830	-	8,782	4,593
TOTAL	11,545	65	-	11,610	6,952	1,830	-	8,782	4,593
Previous Year	10,231	1,314	-	11,545	4,733	2,219	-	6,952	
									2,828
									4,593

(1) Includes Nil (previous year Rs 7,307 thousands) debited to opening balance of retained earnings based on transitional provision provided in Note 7 (b) of Schedule II of the Companies Act, 2013 (Refer Note 28)



Jubilant Chemsys Limited
Notes to the financial statements for the year ended 31 March 2016
(Rs. in thousands)

	As at 31 March 2016	As at 31 March 2015
10. LONG TERM LOANS AND ADVANCES		
<i>(Unsecured and considered good)</i>		
Security deposits	9,448	9,448
MAT credit entitlement	101,349	93,978
Advance payment of income tax [net of provision Rs. 53,036 thousands (previous year Rs.53,036 thousands)]	39,276	39,276
	150,073	142,702
11. INVENTORIES		
<i>(Valued at the lower of cost and net realisable value)</i>		
Consumables, stores and spares	6,554	6,539
	6,554	6,539
12. TRADE RECEIVABLES		
Outstanding for period exceeding six months from the date they become due for payment		
Unsecured and considered good	6,078	58
Doubtful	-	7,468
	6,078	7,526
Allowances for doubtful receivables	-	7,468
	6,078	58
Other receivables		
Unsecured and considered good*	152,488	77,730
	152,488	77,730
(*Includes Rs. 7,811 thousands (previous year Rs. 1,471 thousands) due from the Company in which directors of the Company are common)	158,566	77,788



Jubilant Chemsys Limited

Notes to the financial statements for the year ended 31 March 2016

(Rs. in thousands)

	As at 31 March 2016	As at 31 March 2015
13. CASH AND BANK BALANCES		
Cash and cash equivalent :		
Cash on hand	50	35
Cheques/drafts in hand	-	16
Imprest and gift/meal vouchers	95	142
	145	193
Bank balances :		
On Current accounts	50,805	30,554
Other bank balances :		
Balances with banks to the extent held as margin money*	3,678	1,500
*(pledged with banks for performance guarantee issued to government authorities on behalf of the Company)		
	54,628	32,247
14. SHORT TERM LOANS AND ADVANCES		
<i>(Unsecured and considered good)</i>		
Balances with excise / sales tax authorities	29,783	24,017
Advances recoverable in cash or kind:		
- From related parties (refer note 33)	79	-
- Loans and advances to employees	1,252	1,206
- Advance for supply of goods and services	107	116
- Prepaid expenses	7,976	7,973
- Others	133	-
	39,330	33,312
15. OTHER CURRENT ASSETS		
Other current assets *	1,139	1,497
* Including unbilled revenue of Rs. 759 thousands (previous year Rs. 1,151 thousands)		
	1,139	1,497



Jubilant Chemsys Limited
Notes to the financial statements for the year ended 31 March 2016
(Rs. in thousands)

	For the year ended 31 March 2016	For the year ended 31 March 2015
16. REVENUE FROM OPERATIONS		
SALE OF SERVICES		
Drug discovery research services	660,609	505,142
Other operating revenue		
Scrap sales	1,043	899
Revenue from operations	661,652	506,041
PARTICULARS OF SALES OF SERVICES		
Full time equivalent contract fees (including cost of chemicals recovered)	469,691	350,983
Project based contract research fees	190,918	154,159
	660,609	505,142
17. OTHER INCOME		
Interest income (net)	348	314
Other non-operating income	417	46
	765	360
18. EMPLOYEE BENEFITS EXPENSE		
Salaries, wages, bonus, gratuity and allowances (refer note 31)	197,726	176,495
Contribution to provident and other funds (refer note 31)	9,853	8,705
Staff welfare expenses	9,986	8,722
	217,565	193,922



Jubilant Chemsys Limited
Notes to the financial statements for the year ended 31 March 2016
(Rs. in thousands)

	For the year ended 31 March 2016	For the year ended 31 March 2015
19. OTHER EXPENSES		
Consumables, stores and spares	197,153	154,612
Rent (refer note- 25)	28,172	27,617
Repairs and maintenance		
- Plant and machinery	21,514	25,401
- Building	3,014	760
- Other	48,835	38,140
Rates and taxes	2,672	296
Insurance	1,865	1,783
Advertisement, publicity and sales promotion	2	227
Business development expenses	6,128	10,221
Travelling and other incidental expenses	3,654	6,084
Vehicle running and maintenance	66	583
Printing and stationery	1,110	1,238
Communication expenses	1,147	1,283
Staff recruitment and training	7,757	1,584
Donation	-	540
Auditors remuneration		
- As Statutory Auditors	101	100
- For tax audit	51	50
- For certification	-	125
Legal professional and consultancy charges	14,565	9,183
Freight and forwarding	3,145	2,278
Subscription	11,468	10,797
Bank charges	738	871
Discounts and claims to customer and other selling expenses	324	179
Loss on sale/disposal of fixed assets/intangibles fixed assets	-	3,810
Miscellaneous expenses	88	83
	353,569	297,845
20. FINANCE COST		
Interest expense	342	10
Includes Rs. 312 thousands (previous year Rs. Nil), Rs. 30 thousands (previous year Rs. 7 thousands) and Rs. Nil (previous year Rs. 3 thousands) paid on late payment of income tax, service tax and VAT respectively		
	342	10
21. EXCEPTIONAL ITEMS		
Foreign exchange gain	(2,579)	(2,719)
	(2,579)	(2,719)



22. Commitments

- a) Estimated amount of purchase orders released on account of Capital Expenditure as on 31 March 2016 is Rs. 26,830 thousands (Previous Year Rs. 9,779 thousands).
- b) The Company is a 100% Export Oriented Unit (EOU) therefore, the Company has to earn positive net foreign exchange over a period of 5 years in view of its recognition as 100% EOU under EOU Scheme 2015-20. However, the company has already achieved the positive net foreign exchange earnings for the current year ended 31 March 2016.

23. Contingent liabilities:

- a) Outstanding Guarantees furnished by Banks on behalf of the Company amounted to Rs. 2,678 thousands (Previous Year Rs. 3,321 thousands)
- b) In respect of demand of income tax of Rs. 403 thousands, Rs. 13,910 thousands and Rs. 24,937 thousands for AY 2008-2009, AY 2009-2010 and AY 2010-2011 respectively the cases have been decided in favour of the Company by Commissioner of Income Tax (Appeals). The Department has filed an appeal with the ITAT against the said orders.

Further, during the current year, in respect of demand of Rs. 47,320 thousands for AY 2011-2012, the Company has received a favorable order from CIT (Appeal) on 01 June 2015. The Company continues to show contingent liability for this case despite receiving favorable order, as the Department may prefer to file appeal with higher authorities against the said orders.

In respect of the assessment year 2012-13 and 2013-14, the assessing Officer (Income-tax) passed an assessment order under section 143(3) of the Income tax Act and has made an addition amounting to Rs. 180,085 thousands and Rs. 124,966 thousands and raised a demand of Rs. 31,736 thousands and Rs. 32,417 thousands on issues similar to the one made in AY 2008-09, 2009-10, 2010-11 and 2011-12 which has already been adjudicated in favour of the Company. During the current year, the Company has filed an appeal with the Commissioner of Income Tax (Appeals) in this regard. The proceedings are in progress.

- c) The Company has received various Show cause notices from office of the Commissioner Custom and Central Excise for demand of for Rs. 147,117 thousands (Previous year Rs. 138,849 thousands) in respect of service tax liability, the same is being contested by the Company.

- 24. In view of the Company's recognition as EOU, all indirect taxes on inputs/services have been considered to be refundable and have been accounted for accordingly.
- 25. The Company's operating lease arrangements are cancelable in nature and are usually renewable by mutual agreeable terms. The aggregate lease rentals of Rs. 28,172 thousands (previous year Rs. 27,617 thousands) are charged as expenses.
- 26. The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing regulation under sections 92-92F of the Income-tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company continuously updates its documentation for the international and specified domestic transactions entered into with the associated enterprises during the financial year and expects such records to be in existence latest by its due date. The management is of the opinion that its international and domestic transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.



JUBILANT CHEMSYS LIMITED**Notes to the financial statements for the year ended 31 March 2016**

27. Based on the information available with the management, there are no dues outstanding to micro, small and medium enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 as at 31 March 2016 and 31 March 2015.
28. During the previous year, pursuant to the Companies Act, 2013 ('the Act') being effective from 1 April 2014, the Company revised depreciation rates on fixed assets as per the useful life specified in Part 'C' of Schedule II of the Act. As a result of this change, the depreciation charge for the year ended 31 March 2015 was higher by Rs. 7,590 thousands. Further, based on the transitional provision provided in Note 7(b) of the Schedule II an amount of Rs. 4,824 thousands (after adjustment for related tax impact) was debited to opening balance of retained earnings in respect of the fixed assets where life had expired as per the said Schedule as on 31 March 2014.

29. Hedging and derivatives:

Foreign currency exposure not hedged by derivative instrument:

(Rs. in thousands)

Details	Currency	As at 31 March 2016			As at 31 March 2015		
		Amount in Foreign Currency	Exchange rate	Equivalent INR	Amount in Foreign Currency	Exchange rate	Equivalent INR
Amount receivable on account of sale of Services	USD	2,266	66.25	150,112	1,117	62.50	69,828
	EURO	86	75.40	6,479	59	67.19	3,996
	GBP	10	95.47	927	-	-	-
Net Amount payable on account of purchase of goods	USD	222	66.25	14,680	128	62.50	8,013
	GBP	2	95.47	211	0.2	92.47	21
	EURO	1	75.40	43	-	-	-
	CHF	20	68.98	1,360	-	-	-
Amount outstanding as balance with Banks	USD	59	66.25	3,940	67	62.50	4,206
	EURO	3	75.40	235	1.3	67.19	89

30. Deferred tax assets and liabilities are attributable to the following items:

(Rs. in thousands)

	As at 31 March 2016	As at 31 March 2015
Deferred tax assets on account of :		
Depreciation	15,055	9,606
Provision for gratuity, compensated absences	11,380	9,435
Provision for doubtful debts	-	2,538
Amount disallowed under section 43 B (Allowable on Payment basis)	1,744	1,515
Unabsorbed depreciation / carry forward business losses	6,431	23,378
Deferred tax asset - (Net)	34,610	46,472
Deferred tax assets recognized*	Nil	Nil

* Deferred tax asset has not been recognized in the absence of virtual certainty of realization.



JUBILANT CHEMSYS LIMITED**Notes to the financial statements for the year ended 31 March 2016**

31. Employee Benefits has been calculated as under:

A) Defined Contribution Plans

a) Provident fund

During the year, the Company has recognized the following amounts in the Statement of Profit and Loss:
(Rs. in thousands)

Description	For the year ended 31 March 2016	For the year ended 31 March 2015
Employers Contribution to Provident Fund	5,114	4,833

b) State Plans

i) Employee State Insurance

ii) Employee's Pension Scheme 1995

During the year, the Company has recognized the following amounts in the Statement of Profit and Loss:
(Rs. in thousands)

Description	For the year ended 31 March 2016	For the year ended 31 March 2015
Employers Contribution to Employee's State Insurance	164	430
Employers Contribution to Employee's Pension Scheme 1995	3,685	2,647

B) Defined benefit plans

a) Gratuity

In accordance with Accounting Standard 15 (AS 15)-"Employee Benefits (Revised 2005)" an actuarial valuation has been carried out in respect of gratuity.

Actuarial assumptions are as follows:**a) Economic assumptions**

The principal assumptions are the discount rate and salary growth rate. The discount rate is generally based upon the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities and the salary growth rate takes account of inflation, seniority, promotion and other relevant factors on long term basis. Valuation assumptions are as follows which have been agreed by the Company:

	For the year ended 31 March 2016	For the year ended 31 March 2015
i) Discounting Rate (%)	7.90	7.44
ii) Future salary Increase	10.00% for 3 years and 6.00% thereafter.	10.00% for 3 years and 6.00% thereafter.



JUBILANT CHEMSYS LIMITED**Notes to the financial statements for the year ended 31 March 2016****b) Demographic assumptions**

	For the year ended 31 March 2016	For the year ended 31 March 2015
i) Retirement Age (Years)	58	58
ii) Mortality Table	IALM (2006 - 08)	
iii) Ages	Withdrawal Rate (%)	Withdrawal Rate (%)
Up to 30 Years	32.73	44.20
From 31 to 44 years	13.81	15.12
Above 44 years	12.50	33.33

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

(Rs. in thousands)

Description	Gratuity	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Present value of obligation as at the beginning of the year	13,068	10,165
Current service cost	2,995	2,641
Interest cost	1,011	955
Actuarial /loss	612	1,220
Benefit paid	(1,733)	(1,913)
Present value of obligation as at end of the year	15,953	13,068

Cost recognized for the year (included under Salaries, wages, bonus, gratuity and allowances)

(Rs. in thousands)

Description	Gratuity	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Current service cost	2,995	2,641
Interest cost	1,011	955
Actuarial /loss	612	1,220
Net cost recognized for the Year	4,618	4,816



JUBILANT CHEMSYS LIMITED**Notes to the financial statements for the year ended 31 March 2016****Experience adjustment for the current and previous four year**

(Rs. in thousands)

	For the year ended 31 March 2016	For the year ended 31 March 2015	For the year ended 31 March 2014	For the year ended 31 March 2013	For the year ended 31 March 2012
Present value of obligation as at the end of the year	15,953	13,068	10,165	6,446	7,751
Fair value of plan assets at the end of the year	-	-	-	-	-
Surplus / (deficit)	(15,953)	(13,068)	(10,165)	(6,446)	(7,751)
Experience adjustment on plan liabilities (loss) / gain	(1,023)	(9,011)	(1,315)	(1,798)	368
Experience adjustment on plan assets (loss) / gain	-	-	-	-	-

c) Other long term benefits (Compensated Absences)

(Rs. in thousands)

	As at 31 March 2016	As at 31 March 2015
Present value of compensated absences as at the end of the year	16,928	14,689

32. Segment information

Based on the guiding principles given in the Accounting Standard on 'Segment Reporting' (AS -17) the Company is of opinion that its primary business segment is in the business of chemistry services i.e. contract research. As the Company's business activity falls within a single primary segment, the disclosure requirements of the said AS-17 in this regard are not applicable.

33. Related party transactions:**I. Related party where control exists:**

- (a) Holding Company: Jubilant Drug Development Pte Limited, Singapore
- (b) Ultimate Holding Company: Jubilant Life Sciences Limited (JLSL)

II. Fellow Subsidiaries:

- i. Jubilant Biosys Limited (JBL)
- ii. Jubilant Discovery Services Inc., USA
- iii. Jubilant Drug Discovery Services Inc, Canada
- iv. Jubilant Clinsys Limited
- v. Jubilant Generics Limited (JGL)



JUBILANT CHEMSYS LIMITED**Notes to the financial statements for the year ended 31 March 2016**

- III. Ultimate Holding Company and Fellow Subsidiaries with whom transactions have taken place during the year:

Ultimate Holding Company**i) Jubilant Life Sciences Limited**

(Rs. in thousands)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Expenses recharged for facilities provided by JLSL	-	1,824
Cost Sharing Recharge (inclusive of tax)	14,795	9,269
Rent expense (inclusive of tax)	4,736	4,852
Chemicals purchased	8,970	15,918
Service received	-	0.5

Fellow Subsidiary Companies**ii) Jubilant Biosys Limited**

(Rs. in thousands)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Shared expenses charged by JBL	13,458	20,730
Shared expenses charged to JBL	423	418
Contract research fee billed to JBL (including cost of chemicals and service tax in relation to past year services)	10,046	25,618

iii) Jubilant Discovery Services Inc, USA

(Rs. in thousands)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Contract research fee billed (Including cost of chemicals)	6,314	670
Business development expenses	6,106	10,221

iv) Jubilant Drug Discovery Services Inc, Canada

(Rs. in thousands)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Contract research fee billed (including cost of chemicals)	-	2,015



JUBILANT CHEMSYS LIMITED**Notes to the financial statements for the year ended 31 March 2016****v) Jubilant Generics Limited**

(Rs. in thousands)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Contract research fee billed (including cost of chemicals)	882	-
Shared expenses charged to JGL	423	397
Sale of Fixed Assets to JGL	-	200
Services received from JGL	18	25
Shared expenses charged by JGL	7,565	3,272

IV. Outstanding balances at year end in respect of Ultimate Holding Company and Fellow Subsidiaries:**Ultimate Holding Company****i) Jubilant Life Sciences Limited**

(Rs. in thousands)

Particulars	As at 31 March 2016	As at 31 March 2015
Other Receivables	79	-
Trade payable	803	789
Other Payable	11,136	4,145

Fellow Subsidiary Companies**ii) Jubilant Biosys Limited**

(Rs. in thousands)

Particulars	As at 31 March 2016	As at 31 March 2015
Receivables (trade receivable)	7,477	1,471
Payable	7,461	5,339

iii) Jubilant Discovery Services Inc, USA

(Rs. in thousands)

Particulars	As at 31 March 2016	As at 31 March 2015
Receivables	4,770	338
Payables	926	3,636

iv) Jubilant Generics Limited

(Rs. in thousands)

Particulars	As at 31 March 2016	As at 31 March 2015
Other Receivable	162	-
Other Payable	7,432	-

Details of the remuneration to the key managerial personnel:

- Dr. Vikas Shreekrishna Shirsath, Whole Time Director
- Dr. Subir Kumar Basak, Director (Resigned w.e.f. 26 March 2015)



JUBILANT CHEMSYS LIMITED**Notes to the financial statements for the year ended 31 March 2016****Remuneration to key management personnel**

(Rs. in thousands)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Dr. Vikas Shreekrishna Shirsath	6,193	4,842
Dr. Subir Kumar Basak	-	11,002

34. Value of imports on C.I.F. basis during the year:

(Rs. in thousands)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Consumables, stores and spares	93,250	65,365
Capital goods	11,827	15,812

35. Expenditure in Foreign Currency (on accrual basis)

(Rs. in thousands)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Traveling expenses	923	706
Business development expenses	6,106	10,221
Others (including subscription expenses)	9,028	8,424
Total	16,057	19,351

36. Earnings in Foreign Currency

(Rs. in thousands)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Drug discovery research services*	648,823	495,360

* Including deemed export where foreign exchange has been received

37. Earnings per share**I. Profit/(loss) computation for earnings per share**

		For the year ended 31 March 2016	For the year ended 31 March 2015
a)	Profit/ (loss) for basic earnings per share of Rs.10 each (Rs. in thousands)	35,892	(49,763)
b)	Profit/(loss) for diluted earnings per share of Rs. 10 each (Rs. in thousands)	35,892	(49,763)



JUBILANT CHEMSYS LIMITED**Notes to the financial statements for the year ended 31 March 2016****II. Weighted average number of equity shares for earnings per share computation**

		For the year ended 31 March 2016	For the year ended 31 March 2015
a)	For basic earnings per share (Nos.)	1,999,766	1,999,766
b)	For diluted earnings per Share (Nos.)	8,199,766	8,199,766

III. Profit/(loss) per Share

		For the year ended 31 March 2016	For the year ended 31 March 2015
a)	Basic profit/ (loss) per share (Rs.)	17.95	(24.88)
b)	Diluted profit/(loss) per share (Rs.)*	4.38	(24.88)

Note: As the Preference Shares are Non Cumulative, no effect of dividend on the said shares has been given.

* Dilutive EPS for the previous year has been kept at basic EPS as the element of dilution has an anti dilutive effect.

As per our report of even date attached

For BSR & Co. LLP

Chartered Accountants

ICAI Firm Registration No: 101248W/W-100022

Pravin Tulsyan

Partner

Membership No.: 108044

Place: Noida

Date: 23 May 2016

**For and on behalf of the Board of Directors of
Jubilant Chemsys Limited**

S. N. Singh

Chairman

DIN:00010530

Noopur Agarwal

Company Secretary

S. Bang

Director

DIN:00011327