Ranbaxy Farmacêutica Ltda.

Financial statements on March 31, 2014 and December 31, 2012

Content

Independent auditors' report about financial statements

To
Administrators of
Ranbaxy Farmacêutica Ltda.
São Paulo - SP

We examined the financial statements of Ranbaxy Farmacêutica Ltda. ("Company"), which comprise the balance sheet in March 31, 2014 and the related income and comprehensive income, changes in equity and cash flow statements for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

Responsibility of the management for the financial statements
The management of the Company is responsible for the preparation and appropriate presentation of these financial statements in accordance with accounting practices adopted in Brazil, and for internal control determined by the management as necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit conducted in accordance with Brazilian and international standards on auditing. Those standards require compliance of auditors with ethical requirements and the audit to be planned and performed aiming to obtain reasonable assurance on whether the financial statements are free of relevant misstatement.

An audit involves performing procedures to obtain evidence regarding the values and releases in financial statements. The procedures selected depend on the auditor's judgment, including the risk assessment of material misstatement in financial statements, whether due to fraud or error. In this risk assessment, the auditor considers relevant internal controls to the preparation and fair presentation of the financial statements of the Company for planning audit procedures that are appropriate in the circumstances, but not with the purpose of expressing an opinion on the effectiveness of Company internal controls. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements taken as a whole.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the aforementioned financial statements properly present, in all material respects, the financial position of Ranbaxy Farmacêutica Ltda. on March 31, 2014, the performance of its operations and its cash flows for the year ended that date, in accordance with accounting practices adopted in Brazil.

Other subjects
As noted in Note 13 to the financial statements, the Company keeps relationship and transactions in amounts considered significant with related parties.

São Paulo, May 09, 2014.

KPMG Auditores Independentes
CRC 2SP014428/O-6

Fernando Luis Richieri
Accountant CRC 1SP260147/O-3

Ranbaxy Farmacêutica Ltda, Brazil.

Directors Report

Your Directors have the pleasure in presenting the Financial Statements for the year ended March 31, 2014

Balance sheet

March 31, 2014

Assets	BRL	INR	Liabilities	BRL	INR
	´000	0.0379		´000	0.0379
Current assets			**Current liabilities**		
Cash and cash equivalents	1.142	30.132	Related parties	27.816	733.931
Investments	1.180	31.135	Taxes and contributons payable	0.404	10.660
Trade account receivables	12.811	338.021	Salaries and vacation payable	0.916	24.169
Inventories	8.243	217.493	Other provisions	2.683	70.792
Recoverable taxes	3.290	86.807	Income tax and social contribution	-	-
Other receivables	0.505	13.325	Other accounts payable	0.459	12.111
Total Current Assets	27.171	716.913	**Total Current liabilities**	32.278	851.662
Non current assets			Non current liabilities		
Long trade account receivables	-	-	Provision for contingencies	2.949	77.810
Deferred tax assets	-	-	Loan	11.345	299.340
Property, plant and equipment	7.322	193.193	**Quotaholders' equity**		
			Capital	17.367	458.232
Intangibles	0.537	14.169	Accumulated losses	(28.909)	(762.770)
Total assets	35.030	924.274	Total liabilities and shareholders' equity	35.030	924.274

Statement of income

March 31, 2014

	BRL	INR
	´000	0.0371
Revenue	66.432	1,790.62
Costs of goods sold and services rendered	(37.100)	(1,000.00)
Gross profit	29.332	790.620
Other operational income (expenses)		
Sales	(10.000)	(269.542)
Administrative and general	(29.655)	(799.326)
Financial costs	(3.495)	(94.205)
Financial income	1.911	51.509
Other operational income (expenses)	(0.027)	(0.728)
Loss before income tax and social contribution	-11.934	-321.671
Income tax and social contribution		
Current	0.000	0.000
Deferred	(12.373)	-333.504
Net loss for the year	-24.307	-655.175

Note: Operating expenses and revenues include BRL 3,153 towards Forex loss, for the full period.

Dividend

No dividend have been declared for the year

Directors

The Board constitutes of: **Mr. Ranjit Kohli - Director-Global Accounts, Mr. K Venkatchalan** Senior VP & Regional Director-Americas**, Mr. Alok Shubhkar Kapoor** Director & Head-Latin America**, Mr. Viswanathan Sethuraman -** Finance Director - Latin America.

Acknowledgement

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

Mr. Viswanathan Sethuraman

Regional Finance Director - Latin America

Ranbaxy Farmacêutica Ltda.

Approval of Accounts

Balance sheets

March 31, 2014 and December 31, 2012

	31/03/2014		31/12/2012	
	LC	INR	LC	INR
Assets		0.0379		0.0374
Current assets				
Cash and cash equivalents	1.142	30.132	0.990	26.471
Investments	1.180	31.135	0.020	0.535
Trade account receivables	12.811	338.021	8.932	238.824
Inventories	8.243	217.493	9.108	243.529
Recoverable Taxes	3.290	86.807	2.034	54.385
Other receivables	0.505	13.325	0.494	13.209
Total current assets	27.171	716.913	21.578	576.952
Non current assets				
Trade account receivables	-	-	0.053	1.417
Deferred tax asset	-	-	12.373	330.829
Property, plant and equipment	7.322	193.193	8.122	217.166
Intangibles	0.537	14.169	0.318	8.503
Total assets	35.030	924.274	42.444	1,134.866

	31/03/2014		31/12/2012	
	LC	INR	LC	INR
Liabilities and shareholders´equity		0.0379		0.0374
Current liabilities				
Suppliers	27.816	733.931	22.475	600.936
Taxes and contributons payable	0.404	10.660	0.522	13.957
Salaries and vacation payable	0.916	24.169	0.907	24.251
Other provisions	2.683	70.792	2.286	61.123
Income tax and social contribution	-	-	-	-
Other accounts payable	0.459	12.111	0.518	13.850
Total current liabilities	32.278	851.662	26.708	714.118
Non current liabilities				
Provision for contingencies	2.949	77.810	2.971	79.439
Loan	11.345	299.340	0	-
Quotaholders' equity				
Capital	17.367	458.232	17.367	464.358
Retained earnings	(28.909)	(762.770)	(4.602)	(123.048)
Total liabilities and shareholders' equity	35.030	924.274	42.444	1,134.866

The accounts have been reviewed and are approved.

Mr. Carlos Alberto Almeida
Accountant

Mr. Walter Wiesmueller Coelho Filho
Country Finance Manager

Mr. Viswanathan Sethuraman
Regional Finance Director- Latin America

Ranbaxy Farmacêutica Ltda.

Approval of Accounts

Statements of income

Years ended March 31, 2014 and December 31, 2012

(In thousands of Reais)

	31/03/2014		31/12/2012	
	LC	INR	BRL	INR
		0.0371		0.0366
Revenue	66.432	1,790.62	37.204	1,016.503
Costs of goods sold and services rendered	(37.100)	(1,000.00)	(18.892)	(516.175)
Gross profit	29.332	790.620	18.312	500.328
Sales	(10.000)	(269.542)	(9.865)	(269.536)
Administrative and general	(29.655)	(799.326)	(22.983)	(627.951)
Other operating income	(0.027)	(0.728)	(0.031)	(0.847)
Loss before financial results and tax	(10.350)	(278.98)	(14.567)	(398.005)
Financial expenses	(3.495)	(94.205)	(1.006)	(27.486)
Financial income	1.911	51.509	1.206	32.951
Loss before income tax and social contribution	(11.934)	(321.671)	(14.367)	(392.541)
Income tax and social contribution				
Current	-		-	-
Deferred	(12.373)	(333.504)	4.784	130.710
Net profit for the year	(24.307)	(655.175)	(9.583)	(261.831)

The accounts have been reviewed and are approved.

Mr. Carlos Alberto Almeida
Accountant

Mr. Walter Wiesmueller Coelho Filho
Country Finance Manager

Mr. Viswanathan Sethuraman
Director Finance - Latin America

Ranbaxy Farmacêutica Ltda.

Statements of changes in Shareholders' equity

Years ended March 31, 2014 and December 31, 2012

(In thousands of Reais)

	Note	Capital	Retained earnings	Total
Balances at January 1, 2012		17.367	4.981	22.348
Net loss for the year		-	(9.583)	(9.583)
Balances at December 31, 2012	16	17.367	(4.602)	12.765
Net loss for the year		-	(24.307)	(24.307)
Balances at Marçh 31, 2014	16	17.367	(28.909)	(11.542)

The accounts have been reviewed and are approved.

Ranbaxy Farmacêutica Ltda.

Statements of changes in Shareholders' equity

Years ended March 31, 2014 and December 31, 2012

(In thousands of INR)

	Note	Capital	Retained earnings	Total
Balances at January 1, 2012		464.358	133.182	597.540
Net loss for the year		-	(261.831)	(261.831)
Balances at December 31, 2012	16	464.358	(128.649)	335.710
Net loss for the year		-	(655.175)	(655.175)
Balances at Marçh 31, 2014	16	464.358	(783.824)	(319.466)

The accounts have been reviewed and are approved.

Explanatory Notes to the financial statements

(In thousands of Reais)

1 Operational context

Ranbaxy Farmacêutica Ltda. ("Ranbaxy") is an entity located in Rio de Janeiro state, and has its administration department in São Paulo state. It was incorporated in October 22, 1993, and having India as a country of origin. The Company's administration department is in Avenida Maria Coelho Aguiar, 215,8º Andar, bloco A, Jardim São Luiz, Santo Amaro, São Paulo. The financial statements for the year ended March 31, 2014 comprise only Ranbaxy Brazil, of which the main object is: to manufacture, import, distribute and sell pharmaceutical products.

2 Basis of preparation

a. Declaration of compliance with the standards of the Accounting Pronouncements Committee (CPC)

The financial statements have been prepared pursuant to the accounting practices adopted in Brazil in line with the Standards and Interpretations issued by the Accounting Pronouncements Committee ("CPC")

The issuance of the financial statements was authorized by the board of directors on April 15, 2014.

b. Basis of measurement

The financial statements have been prepared based on the historical cost, except for financial instruments measured at fair value through the earnings.

c. Functional currency

These financial statements are presented in Brazilian Real, which is the functional currency of the Company. All financial information presented in Real was rounded to the nearest thousand, except when otherwise indicated.

d. Use of estimates and judgments

The preparation of financial statements in accordance with CPC standards requires the Company Administration Department to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual earnings may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimates that has a significant risk of resulting in a material adjustment within the next financial years is included in the following notes:

- Note 7 - Allowance for doubtful debts
- Note 8 - Allowance for inventory obsolescence
- Note 9 - Current tax asset
- Note 10 – Depreciation of the fixed asset
- Note 14 – Contingency fund

3 Main accounting policies

The accounting policies described in detail below have been consistently applied to all periods presented in these financial statements. The financial statements have been prepared in accordance with accounting practices adopted in Brazil, which include the Corporate Law, Pronouncements, Guidelines and Interpretations issued by the Accounting Pronouncements Committee - CPC and rulings issued by the Federal Accounting Council (CFC).

a. Calculation of earnings

Result of operations is determined in accordance with the accrual accounting for the year.

Operating income from the sale of goods in the ordinary course of business is measured at the fair value of the consideration received or receivable. Operating revenue is recognized when there is convincing evidence that the most significant risks and rewards of ownership of the goods have been transferred to the buyer, the probability of economic and financial benefits will flow to the entity, the associated costs and possible return of goods can be reliably estimated, having no continuing involvement with the assets sold and the amount of revenue can be reliably measured.

b. Transactions in foreign currency

Foreign currency transactions are converted into the functional currency of the Company at the exchange rates on the transaction dates. Monetary assets and liabilities denominated and calculated in foreign currencies on presentation date are reconverted to the functional currency at the exchange rate at that date. The foreign currency gain or loss in monetary items is the difference between amortized cost of the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured by fair value are reconverted to the functional currency at the exchange rate on the date when the fair value was determined. The foreign currency differences arising on reconversion are recognized in the earnings, except for differences arising on retranslation of financial instruments available for sale. Non monetary items that are measured in terms of historical cost in a foreign currency are converted using the exchange rate at the transaction date.

c. Financial instruments

Non-derivative financial instruments include accounts receivable and other receivable, cash and equivalent cash, loans, as well as accounts payable and other debts.

- ***Non derivative financial assets and liabilities***

  The Company initially recognizes receivables on the date that they are originated. All other financial assets are recognized initially on the trade date on which they become a party to the contractual allowances of the instrument.

  The Company no longer recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when they transfer the rights to receive the contractual cash flows on a financial asset in a transaction in which substantially all the risks and benefits of ownership of financial asset are transferred. An eventual participation created or retained in financial assets is recognized as a separate asset or liability.

  The Company has the following non derivative financial assets: financial assets registered by the fair value through the income and receivable.

- ***Financial assets registered at fair value through result***

  A financial asset is classified at fair value through earnings if it is classified as held for trading and is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and make decisions to buy and sell based on their fair values in accordance with a documented risk management and investment strategy. Transaction costs, after initial recognition, are recognized in the income statement as incurred. Financial assets at fair value through income are measured at fair value and changes in fair value of these assets are recognized in the income statement.

- ***Receivable***

  Receivables are financial assets with fixed or determinable payments that are not quoted in the active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. After initial recognition, receivables are measured at amortized cost using the effective interest method, decreased by any loss on the recoverable value. The receivables include other credits.

  Financial assets and liabilities are offset and the net amount is reported in the balance sheet when, and only when, having the legal right to offset the amounts and intending to settle on a net basis or simultaneously realize the asset and settle the liability.

- ***Non derivative financial liabilities***

  The Company recognizes debt securities originally issued on the date that they are originated. All other financial liabilities (including liabilities designated by the fair value at income) are initially recognized on the trade date on which they become a party to the contractual allowances of the instrument. Company writes off a financial liability when its contractual obligations are discharged, canceled or expired. The Company uses the settlement date as the accounting criteria.

  The Company has the following non-derivative financial liabilities: national suppliers, current tax liability, wages and vacation payables and other payables.

Such financial liabilities are initially recognized at fair value plus any directly attributable transaction costs. After initial recognition, these financial liabilities are measured by the amortized cost using the effective interest method cost.

- ***Derivative financial assets and liabilities***
  The Company has not transacted or opened on March 31, 2014 and 2012, transactions with derivative financial instruments.

d. Current and non-current assets

- ***Cash and cash equivalents***
  Cash and cash equivalents comprise cash balances and financial investments with original maturities of three months or less from the date of hire. Limits of overdrafts from banks that have to be paid on demand and form an integral part of cash management are included as a component of cash for purposes of the cash flows statement.

- ***Accounts receivable from clients***
  Accounts receivable from clients correspond to receivable amounts from clients from sales of products and goods or services in the normal course of business of the Company. If the deadline for receipt is equivalent to one year or less (or other in the normal operating cycle of the Company), the receivables are classified as current assets. Otherwise, they are presented as noncurrent assets.

  Accounts receivable from clients are initially recorded at the invoiced amount, including direct taxes for the Company's liability, less withholding taxes, which are considered tax credits.

  The allowance for doubtful credits was constituted in an amount considered by the Administration as sufficient to cover possible losses on loans.
  As provided in CPC 12, this value adjustment was not recorded due to it does not have a material effect on the financial statements.

- ***Inventories***
  The inventories are stated based on the historical cost of acquisition and production, plus expenses for transport, storage and non-recoverable taxes. In the case of manufactured, in process and finished goods, the inventory includes general manufacturing expenses based on normal operating capacity. The cost is determined on mobile weighted average cost. The values of on book inventories do not exceed the net realizable value. The net realizable value, which is the estimated selling price in the ordinary course of business, minus the estimated costs of completion and those necessary to make the sale.

e. Capital asset

- ***Recognition and measurement***

  Items of the asset are measured by historical cost of acquisition or construction, deducted by accumulated depreciation and accumulated losses due to impairment, if applicable.

  Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of assets constructed by the entity includes the cost of materials and direct labor, any other costs to bring the asset to the necessary location and condition for them to be capable of operating in the manner intended by administration, the costs of dismantling and restoring the site on which these assets are located.

  The third-party property fixtures are amortized over the period of the relevant lease agreement.

  The purchased software that is integral to the functionality of equipment is capitalized as part of that equipment.

  Gains and losses on disposal of an item of asset are determined by comparing the resources from disposal with the book value of the asset and are recognized as net within other income in the earnings.

  Other expenditure is capitalized only when it increases the future economic benefits of the asset item. All other expenditure is recognized as an expense when incurred.

- ***Subsequent costs***

  The replacement cost of a component of the asset is recognized in the book value of the item if it is probable that the economic benefits embodied within the part will flow to the Company and its cost can be reliably measured. The book value of the component that is replaced is written off. Daily maintenance costs are recognized in income as incurred.

- ***Depreciation***

  Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, deduced by its residual value.

  Depreciation is recognized in profit based on the straight-line method over the estimated useful lives of each part of an item of asset, since this is the method that most closely reflects the pattern of consumption of future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives are as follows:

	Years
Machinery and equipment	10
Furniture and fixtures	10
Computer equipment	5
Vehicles	5
Third-party property fixtures	5

The depreciation methods and residual values are reviewed at each financial year and any adjustments are recognized as changes in accounting estimates.

f. Current and non-current liabilities

The current and non-current liabilities are stated at known or estimated accrued, where applicable the corresponding charges, monetary and/or exchange variations incurred up to the balance sheet date.

g. Short-term benefits to employees

Obligations of short-term benefits to employees are measured on an undiscounted basis and are expensed as the related service is provided.

The liability is recognized by the value expected to be paid under the cash bonus plans or profit sharing short-term value if the Company has a legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

h. Allowances

An allowance is recognized in the balance sheet when the Company has an obligation or as a result of a past event and it is probable that economic benefits will be required to settle the obligation. Allowances are recorded based on the best estimates of the risk involved.

i. Income tax and social contribution

Income tax and social contribution of current and deferred year are calculated based on the rates of 15% plus a surcharge of 10% on the excess taxable income of R$ 240 (INR 6,469) for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax losses and negative basis of social contribution limited to 30% of taxable income.

Current tax is the expected payable or receivable tax on the taxable income or loss for the year, the taxes enacted or substantively enacted at the reporting date of the financial statements and any adjustment to tax payable in respect of previous years.

The Company recognizes Income Tax and Social Contribution tax assets on tax losses and negative basis of social contribution, and also on existing temporary differences between the tax bases of assets and liabilities and their carrying values. Income Tax and Social Contribution tax assets are recognized based on the expectation of future taxable profits. Deferred tax is measured at the tax rates expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date of the financial statements.

The deferred tax assets and liabilities are offset when there is a legally enforceable right to compensate current tax liabilities and assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity.

Active Income and deferred social contribution taxes are reviewed at each reporting date and are reduced as its realization is not likely.

The Company, to determine the taxable profits and its effects on the financial statements, considered the adoption of the Transitional Tax Regime (RTT), as determined in MP nº. 449/08 (Law nº 11,941/09) and this choice was confirmed when delivery of Information Statement of Income Tax Return (DIPJ) of the 2010 calendar year.

j. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014 and have not been adopted in preparing these financial statements. Those, which may be relevant to the group, are mentioned below. The Group does not plan to adopt these standards in advance.

IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

IFRS 9 (2009) introduces new requirements for classifying and measuring financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on a business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional modifications in relation to financial liabilities. The IASB currently has an active project to undertake limited to classification and measurement requirements of IFRS 9 changes and add new requirements to address the loss on impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) is effective for annual periods beginning on or after January 1st, 2015. Adoption of IFRS 9 (2010) should have any impact on the Group's financial assets, but no impact on the financial liabilities of the Group.

The Accounting Pronouncements Committee has not yet issued an accounting pronouncement or modification of this standard in existing pronouncements. The company does not expect to adopt these pronouncements early

4 Financial risk management

Overview

The Company presents exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

Structure of risk management
The risk management policies of the Company are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Policies and risk management systems are frequently revised to reflect changes in market conditions and Company's activities. The Company, through its policies and procedures for training and management, aims to develop an environment of disciplined and constructive control, in which all employees understand their roles and obligations.

Credit risk
Credit risk is the risk of financial loss from the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, arising primarily from the Company's receivables from customers and investment securities.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled with cash payments or other financial assets. The Company's approach to managing liquidity is to ensure, as much as possible, always having enough liquidity to meet its obligations to their due, under normal and stress conditions, without causing unacceptable losses or risk the Company's reputation.

Market risk
Market risk is the risk that changes in market prices, such as exchange rates, interest rates and stock prices, present to the income of the Company or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk
The Company is subject to currency risk on sales, purchases and loans denominated in a currency other than the respective functional currency Real (R$). The currencies in which these transactions are denominated are mainly: USD and Euro. There is currently no relevant exposure in currencies other than their functional since there is equivalence between the volumes of inflows and outflows of foreign currency amounts. Therefore, the Company does not make any kind of financial transaction, which aims to decrease these exposures, such as currency *hedge.*

Operational risk

Operational risks may represent direct or indirect losses arising from all operations of the group associated with processes, persons, technology and infrastructure of the Company and also on external factors, except those of credit risk, market and liquidity.

The Company's objective is to manage operational risk to prevent the occurrence of financial losses and damage to the reputation of the Company.

The Company has adopted initiatives for risk management in the following areas:

- Compliance with regulatory and legal requirements;
- Control and procedure documents;
- Development of contingence plans;
- Training and professional development;
- Ethical and moral standards through code of conduct;
- Mitigation of risks through insurance plans.

The aforementioned measures are analyzed and monitored by the departments of Compliance, Legal, Regulatory Affairs and the Executive Committee of the Company.

5 Cash and cash equivalents

	03/31/2014	**12/31/2012**
Cash and banks	962	948
Deposits in cash	180	42
	1,142	990

(In INR)

	3/31/2014	**12/31/2012**
Cash and banks	25,382.59	25,347.59
Deposits in cash	4,749.34	1,122.99
	30,132	26,471

The amounts recorded as deposits in cash - are remunerated at rates ranging between 30% and 35% per month of the Interbank Deposit Certificate - CDI for the period they remain stationary in the account, without any withdrawal or movement restriction

6 Other investments

	03/31/2014	12/31/2012
Other investments	1,180	20

		(INR)
	03/31/2014	**12/31/2012**
Other investments	31,135	535

The amounts recorded as other investments are subject to interest and classified as available for sale with a carrying value of R$ 1,180 (INR 31,135) in March 31, 2014, and have fixed interest rates of 100% to 102% of the Interbank Deposit Certificate - CDI for a maximum period of 36 months, with 30 days restriction for withdrawal or movement.

7 Accounts receivable from customers

	03/31/2014	12/31/2012
In country	16,412	12,532
(-) Allowance for doubtful credits	(3,601)	(3,600)
Total current	12,811	8,932

		(In INR)
	03/31/2014	**12/31/2012**
In country	433,034	335,080
(-) Allowance for doubtful credits	(95,013)	(96,257)
Total current	338,021	238,824

The following table summarizes the amounts receivable in the country by maturity:

	03/31/2014	12/31/2012
Credits due	12,439(INR 328,206)	8,011(INR 214,198)
Overdue credits:		
From 01 to 30 days	77(INR 2,032)	527(INR 14,091)
From 31 to 60 days	38(INR 1,003)	78 (INR 2,086)
From 61 to 90 days	0	3(INR 80)
From 91 to 180 days	0	85(INR 2,273)
Over 181 days	3,858(INR 101,794)	3,828(INR 102,353)
Total	16,412(INR 433,034)	12,532(INR 335,080)

The losses on the realization of accounts receivable are recognized in the earnings of the year, according to criteria established by the Administration. According to internal procedures, receivables will be allowanced when over 365 days and or when there is certainty that the values will not be received.

8 Inventory

	03/31/2014	12/31/2012
Finished products	7,395	7,004
Allowance for inventory obsolescence – Finished products	(764)	(1,589)
Packing and consumable materials	345	1,062
Drugs for Bioequivalence	1	310
Imports in transit	1,266	2,321
	8,243	9,108

(In INR)

	3/31/2014	12/31/2012
Finished products	195,119	187,273
Allowance for inventory obsolescence – Finished products	-20,158	-42,487
Packing and consumable materials	9,103	28,396
Drugs for Bioequivalence	26	8,289
Imports in transit	33,404	62,059
	217,493	243,529

Certain items considered obsolete or slow-moving, were subject to an allowance for inventory obsolescence.

A Changes in allowance

	12/31/2012	03/31/2014			
	Initial balance	Addition to allowance	Write-off Rejected	Write-off Validity	**Final balance**
Allowance Obsolescence of Inventories	**1,589**	825	(485)	(1,165)	764
	1,589	850	(485)	(1,165)	764

(IN INR)

	12/31/2012	3/31/2014			
	Initial balance	Addition to allowance	Write-off Rejected	Write-off Validity	**Final balance**
Allowance Obsolescence of Inventories	**41,926**	21,768	-12,797	-30,739	20,158
	41,926	21,768	-12,797	-30,739	20,158

	Overdue	0-6 Months	7-12 Months	13-24 Month	Rejected	Total
						764
Accrued value	157	127	368	2	110	

(In INR)

Overdue	0-6 Months	7-12 Months	13-24 Months	Rejected	Total
					20,158
4142	3,351	9,710	53	2,902	

9 Current Fiscal Asset

	03/31/2014	12/31/2012
ICMS Recoverable	1,175	278
ICMS on Fixed Asset	170	225
IRPJ Recoverable	1,346	1,087
CSSL Recoverable	478	361
IRF Recoverable	121	69
Others	0	14
	3,290	2,034

The amounts recorded as IRPJ and CSSL were advances made to RFB and are included in the Annual statement setting.

(In INR)

	3/31/2014	12/31/2012
ICMS Recoverable	31,003	7,433
ICMS on Fixed Asset	4,485	6,016
IRPJ Recoverable	35,515	29,064
CSSL Recoverable	12,612	9,652
IRF Recoverable	3,193	1,845
Others	0	374
	86,807	54,385

10 Fixed

	Machinery and equipment	Furniture and accessories	Vehicles	Advance for acquisition of fixed assets	Total
Cost					
Balance at December 31,2012	5,770	5,964	1,904	-	13,638
Additions	417	110	480	183	1,190
Disposals and write-offs	(72)	(17)	(536)	-	(625)
Transfers	46	90	-	(136)	-
Balance at March 31, 2014	6,161	6,147	1,848	47	14,203
Depreciation					
Balance at December 31,2012	(3,203)	(1,162)	(1,151)	-	(5,516)
Additions	(622)	(924)	(381)		(1,927
Disposals and write-offs	72	16	494		582
Balance at March 31, 2014	(3,753)	(2,070)	(1,038)	-	(6,861)
Loss by impairment of assets					
Balance at December 31,2012	-	-	-	-	-
Additions	(13)	(6)	(1)		(20)
Disposals and write-offs	-	-	-		-
Balance at March 31, 2014	(13)	(6)	(1)	-	(20)
Book value					
Balance at December 31, 2012.	2,567	4,802	753	-	8,122
Balance at March 31, 2014.	2,395	4,071	809	47	7,322

See the assets provided as collateral proceeding pending in court in Note 15.

(In INR)

	Machinery and equipment	Furniture and accessories	Vehicles	Advance for acquisition of fixed assets	Total
Balance at December 31,2012	152,243	157,361	50,237	-	13,638
Additions	11,003	2,902	12,665	4,828	1,190
Disposals and write-offs	-1,900	-449	-14,142	-	(625)
Transfers	1,214	2,375	-	-3,588	-
Balance at March 31, 2014	162,559	162,190	48,760	1,240	14,203

Depreciation					
Balance at December 31,2012	-84,512	-30,660	-30,369	-	(145,541)
Additions	-16,412	-24,380	-10,053	0	(50,844)
Disposals and write-offs	1,900	422	13,034	0	15,356
Balance at March 31, 2014	-99,024	-54,617	-27,388	-	(181,029)
Loss by impairment of assets					
Balance at December 31,2012	-	-	-	-	-
Additions	(343)	(158)	(26)		(528)
Disposals and write-offs	-	-	-		-
Balance at March 31, 2014	(343)	(158)	(26)	-	(528)
Book value					
Balance at December 31, 2012.	67,731	126,702	19,868	-	214,301
Balance at March 31, 2014.	63,193	107,414	21,346	1,240	193,193

11 Suppliers

	03/31/2014	12/31/2012
Foreign related parties	26,550	19,823
Advances received (client)	0	331
Imports in process	1,266	2,321
Total	27,816	22,475

	3/31/2014	*(INR)* 12/31/2012
Foreign related parties	700,528	523,034
Advances received (client)	0	8,734
Imports in process	33,404	61,240
Total	733,931	600936

Transactions performed with related parties are carried out in the normal course of its operations in accordance with specific prices agreed between the parties. On March 31, 2014 and 2012, the main transactions and outstanding balances with related parties are as follows:

	12/31/2012		03/31/2014		Balances			
	Transactions/ Earnings		Transactions/ Earnings		12/31/2012	03/31/2014	12/31/2012	03/31/2014
					Assets Total	Assets Total	Liabilities Total	Liabilities Total
	Acquisitions transaction	Interest loan	Acquisitions	Interest loan	Value	Value	Value	Value
Ranbaxy Labs Ltd.								
Finished Goods	15.432	-	27.677	0	-	255	22.475	27.816
Sub Total	**15.432**	**-**	**27.677**	**0**	**-**	**255**	**22.475**	**27.816**
Ranbaxy Neitherlands								
Principal	-	-	0	0	-	-	-	11.315
Interest	-	-	0	202	-	-	-	30
SubTotal	**0**	**-**	**0**	**202**	**-**	**255**	**0**	**11.345**
Total	15.432	-	27.677	202	-	255	22.475	39.161

(In INR)

	12/31/2012		03/31/2014		Balances			
	Transactions/ Earnings		Transactions/ Earnings		12/31/2012	03/31/2014	12/31/2012	03/31/2014
					Assets Total	Assets Total	Liabilities Total	Liabilities Total
	Acquisitions transaction	Interest loan	Acquisitions	Interest loan	Value	Value	Value	Value
Ranbaxy Labs Ltd.								
Finished Goods	421.64	-	746	0	-	6,728	601	734
Sub Total	**421.64**	**-**	**746**	**0**	**-**	**6,728**	**601**	**734**
Ranbaxy Neitherlands								
Principal	-	-	0	0	-	-	-	299
Interest	-	-	0	5,445	-	-	-	792
SubTotal	**0**	**-**	**0**	**5,445**	**-**	**6,728**	**0**	**299**
Total	**421.64**	-	**746**	5,445	-	6,728	601	1,033,272

Transactions with related parties include credit notes receivable, supply of raw materials and loans, interest updated with libor 6 M, maturity on 26/08/2015.

Expenses relating to the compensation of key Administration personnel (directors), which were recorded in income for the year ended on March 31, 2014 and 2012, were R$ 1,684 (INR 45,391) and R$ 1,801(INR 49,208), respectively, relating to short-term benefits .

12 Taxes and contributions payable

	03/31/2014	12/31/2012
ICMS	58	108
Income tax withheld at source	103	175
INSS	189	182
Pis and Cofins	48	52
Others	6	5
Total	404	522

	(In INR) 3/31/2014	12/31/2012
ICMS	1,530	2,850
Income tax withheld at source	2,718	4,617
INSS	4,987	4,802
Pis and Cofins	1,266	1,372
Others	158	132
Total	10,660	13,773

13 Other allowance

	03/31/2014	12/31/2012
Sales on commission payable	497	447
Bonus payable to employees	752	698
Marketing efforts payable	0	16
Administrative services payable	351	406
Penalty on supply contract	233	0
Replacement of logistics operations (a)	850	719
	2,683	2,286

	3/31/2014	(IN INR) 12/31/2012
Sales on commission payable	13,113	11,794
Bonus payable to employees	19,842	18,417
Marketing efforts payable	-	422
Administrative services payable	9,261	10,712
Penalty on supply contract	6,148	-
Replacement of logistics operations (a)	22,427	18,971
	70,792	60,317

(a) The Company uses the stocks of the largest distributors in the country to meet the delivery of goods from negotiations executed with independent pharmacies and pharmacy chains with decentralized delivery, and these negotiations made by Ranbaxy's sales force. As a way of compensating to distributors, the Company pays the relevant amount to Logistic Operation, ranging from 5% to 10% on these outflow operations. Reimbursements are made through subsidies or additional goods and trade discounts. The aforementioned value refers to the cost of logistics operations that are pending hits on March 31, 2014.

14 Allowance for Contingencies

The Company is a party (defendants) in lawsuits and administrative lawsuits before various courts and government agencies, in the normal course of operations, involving tax, labor, civil and other matters.

The Administration, based on information from its legal counsel, pending lawsuit assessments and, as to labor lawsuits, based on previous experience on the amounts claimed, made a provision for amounts considered sufficient to cover probable losses estimated from claims in course, as follows:

	03/31/2014			12/31/2012
	Allowance	**Judicial deposit**	**Liquid**	**Liquid**
Labor	2,486	(85)	2,401	2,168
Civil	1,054	(506)	548	803
	3,540	(591)	2,949	2,971

(In INR)

	3/31/2014			12/31/2012
	Allowance	**Judicial deposit**	**Liquid**	**Liquid**
Labor	65,594	-2,243	63,351	57,968
Civil	27,810	-13,351	14,459	21,471
	93,404	-15,594	77,810	79,439

k. Handling processes in the performance

	12/31/2012	03/31/2014			
	Gross Initial Balance	**Addition to allowance**	**Write-off**	**Judicial deposit**	**Net Final Balance**
Labor	**2,639**	3,394	(3,547)	(85)	2.401
Civil	**1,244**	234	(424)	(506)	548
	3,883	3,628	(3,971)	(591)	2.949

(In INR)

	12/31/2012	03/31/2014			
	Gross Initial Balance	**Addition to allowance**	**Write-off**	**Judicial deposit**	**Net Final Balance**
Labor	**69,631**	`89,551	(93,588)	(2,243)	63
Civil	**32,823**	6,174	(11,187)	(13,351)	14,459
	102,454	95,726	(104,776)	(15,594)	77,810

There are other processes assessed by legal counsel as possible or remote risk, the amount of R$ 9,640 (INR 254,354) for which no allowance was made because the accounting practices adopted in Brazil do not require accounting.

a. Summary of labor processes

On March 31, 2014, the Company owned 28 cases of labor claims. According to legal counsel, 14 cases are classified as probable losses, and other 15 cases as remote or possible risk of loss. The estimated loss performed is in line with the opinion of the assessors, and it is duly updated its interest and taxes.

b. Overview of civil lawsuits

On March 31, 2014, the Company owned 51 cases of complaints involving issues of ANVISA and consumer complaints. According to our legal counsel, 26 cases were classified as probable loss, and another 25 cases classified as remote or possible risk of loss. The estimated loss performed is in line with the opinion of the assessors, and it is duly updated its interest and taxes.

On March 31, 2014, the Company owned 1 case of legal claims involving breach of commercial contract. According to our legal advisors, only this case was classified as probable loss, considering that over the contractual business relationship, issues were not observed. The estimated loss performed is in line with the opinion of the assessors, and it is duly updated its interest and taxes.

15 Social Capital

The social capital consists of 14,971,089 shares, and 12,482,664 shares of "Class A" on the nominal value of R$ 1.00 each (INR 26.39) and 488,425 shares of "Class B" at nominal value of R$10.00(INR 263) each, according to the 39th amendment of the social contract dated of July 5, 2013, which are distributed as follows:

Quota holder	**Quotas**	**R$**	**INR**
Ranbaxy (Netherlands) B.V. - Class A	12,482,663	12,483	329,367
Ranbaxy (Netherlands) B.V. - Class B	488,425	4,884	128,865
Ranbaxy Holdings UK Limited	1	-	-
	14,971,089	17,367	458,232

On March 31, 2014 the foreign capital registered in the Central Bank of Brazil, the basis for the remittance of dividends and repatriation of capital, was a total of R$ 17,367 (INR 458,232) (equivalent to US$ 12,467).

16 Revenue

	03/31/2014	**12/31/2012**
Resale of goods	72,583	43,352
Resale of Samples for Bioequivalence	69	304
Services	938	207
Gross sales revenue	73,590	43,863
Taxes on sales and resales	(5,881)	(5,356)
Returns	(1,277)	(1,303)
(-) Deductions from sales	(7,158)	(6,659)
Operating revenue	66,432	37,204

	3/31/2014	**12/31/2012**
	INR	INR
Resale of goods	1,915,119	1,159,144
Resale of Samples for Bioequivalence	1,821	8,128
Services	24,749	5,535
Gross sales revenue	1,941,689	1,172,807
Taxes on sales and resales	-155,172	-143,209
Returns	-33,694	-34,840
(-) Deductions from sales	-188,865	-178,048
Operating revenue	1,752,823	994,759

The Company's sales in the domestic market are currently directed to distributors, pharmacy chains, government agencies and hospital distributors.

17 Selling expenses

	03/31/2014	12/31/2012
Sales Commissions (a)	6,417	5,590
Promotional Campaigns	871	1,824
Promotional Material	592	739
Conferences and Events	739	354
Market Research Services	525	344
Other promotional expenses	856	1,014
	10,000	9,865

(a) Company's sales force consists only of outsourced sales representatives, legal entity, duly registered by the Regional Councils of Sales Representatives, and they are paid through the primary and secondary sales.

(b)

(IN INR)

	3/31/2014	12/31/2012
Sales Commissions (a)	172,965	152,732
Promotional Campaigns	23,477	49,836
Promotional Material	15,957	20,191
Conferences and Events	19,919	9,672
Market Research Services	14,151	9,399
Other promotional expenses	23,073	27,705
	269,542	269,536

18 Administrative and general expenses

	03/31/2014	**12/31/2012**
Staff	13,536	11,441
	,	,
Equipment Maintenance	815	713
Expenses with Rent	886	652
Labor contingencies (b)	3,638	1,886
Travel Expenses	871	800
Services	2,641	2,256
Other administrative expenses	1,977	1,482
Regulatory (a)	1,867	1,328
Quality Control	1,056	897
Taxes and Fees	295	277
Depreciation and Amortization	2,073	1,251
	29,655	22,983

(a) The regulatory costs are linked to ANVISA - Regulatory Agency for Sanitary Surveillance in Brazil, which consist of expenses with approvals of Registration of drugs, Inspection in Manufacturing Units and bioequivalence tests.

(b) The contingences presented in lawsuits, from labor claims of 2004, by sales representatives of different states.

	3/31/2014 INR	**12/31/2012 INR**
Staff	364,852	312,596
Equipment Maintenance	21,968	19,481
Expenses with Rent	23,881	17,814
Labor contingencies (b)	98,059	51,530
Travel Expenses	23,477	21,858
Services	71,186	61,639
Other administrative expenses	53,288	40,492
Regulatory (a)	50,323	36,284
Quality Control	28,464	24,508
Taxes and Fees	7,951	7,568
Depreciation and Amortization	55,876	34,180
	799,326	627,951

19 Financial Results

	03/31/2014	12/31/2012
Financial expenses		
Interests	(206)	(1)
Foreign exchange losses	(3,153)	(930)
Other	(136)	(75)
	(3,495)	(1,006)
Financial income		
Interests	350	11
Interest without financial application	108	79
Discounts received Intercompany	801	638
Other	652	478
	1,911	1,206

	3/31/2014 (In INR)	12/31/2012 (In INR)
Financial expenses		
Interests	(5,553)	(27)
Foreign exchange losses	(84,987)	(25,410)
Other	(3,666)	(2,049)
	-94,205	-27,486
Financial income		
Interests	9,434	301
Interest without financial application	2,911	2,158
Discounts received Intercompany	21,590	17,432
Other	17,574	13,060
	51,509	32,951

20 Deferred tax assets

Deferred income tax and social contribution had been recorded to reflect the future tax effects attributable to temporary differences between the tax bases of assets and liabilities and their carrying values. The Administration considered that the deferred tax assets arising from temporary differences would be realized upon the ultimate resolution of contingencies and events.

The Company, based on a technical study approved by management on a low estimate of future taxable income, decided on December 31, 2013, to reverse the tax credits that had been recognized up to 2012.

Income tax and social contribution taxes had the following origin:

	03/31/2014	**12/31/2012**
Loss before Income tax	(11.934)	(14.367)
(-) Additions (temporary differences)	(7.769)	(6.743)
(+) Exclusion (temporary differences)	8.491	8.296
Taxable losses	(11.212)	(12.814)
	34%	34%
Deferred tax on taxable losses	-	131
Reversal of Deferred taxes	(12.373)	-

(In INR)

Loss before Income tax	(322)	(393)
(-) Additions (temporary differences)	(209)	(184)
(+) Exclusion (temporary differences)	229	227
Taxable losses	(302)	(350)
	34%	34%
Deferred tax on taxable losses	-	131
Reversal of Deferred taxes	(334)	-

21 Insurance Coverage

The Company has a policy of hiring insurance coverage for goods subject to risks at amounts considered sufficient to cover possible losses, considering the nature of their activity. The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements; therefore, they were not audited by independent auditors.

On March 31, 2014, the insurance coverage against operating hazards consisted of: R$ 12,500 (INR 329,815) for material damage of laboratory and R$ 4,500 (INR 118,734) to R$ 1,000(INR 26,385) for administrative liability, amounts in thousands of Reais.

22 Financial instruments

The Company has financial instruments. These financial instruments are managed through operating strategies and internal controls aiming to ensure liquidity, profitability and security. Hiring of financial instruments for the purpose of financial protection, where applicable, is performed through a regular review of the risk exposure that management intends to cover (mainly exchange) which is approved by Management to the operation of the presented strategy. The control policy consists of permanent monitoring of the contracted conditions versus current market conditions.

Company does not engage in speculative investments, in derivatives or any other risk assets. The results from these operations are consistent with the policies and strategies defined by the Company's administration.

All transactions with financial instruments are recognized in the financial statements of the Company.

Below there is additional quantitative information concerning risks from the use of financial instruments:

- **Credit risk**

  Arises from the possibility of the Company incurring losses due to the default of their counterparties or financial institutions where resources or financial investments are deposited. To mitigate these risks, the Company adopts the practice of analyzing the financial and equity situation of their counterparties, as well as setting credit limits and continuous monitoring of open positions. With regard to financial institutions, the Company enters into transactions only with low risk financial institutions, assessed by rating agencies.

  The book value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

	Book value	
	03/31/2014	**12/31/2012**
Receivable	16,412	12,532
Cash and cash equivalents	1,142	990
Other investments	1,180	20
Total	18,734	13,542

	Book value	
	03/31/2014 (INR)	**12/31/2012** (INR)
Receivable	433,034	335,080
Cash and cash equivalents	30,132	26,471
Other investments	31,135	535
Total	494,301	362,086

The expiration of receivables granted on the date of the financial statements was:

	Book value	
	03/31/2014	**12/31/2012**
Credits due	12,439 (INR 328,206)	9,021 (INR 241,203)
Overdue credits		
From 01 to 30 days	77(INR 2032)	527(INR 14,091)
From 31 to 60 days	38(INR1,003)	78(2,086)
From 61 to 90 days	0	3(INR 80)
From 91 to 180 days	0	85(INR 2,273)
Over 181 days	3,858(INR 101,794)	3,828(INR 102,353)
Total	16,412(INR 433,034)	14,491(INR 387,460)

The movement in the allowance for doubtful credits related to receivables during the year was as follows:

	Doubtful credits	**Doubtful credits (INR)**
Balance on December 31, 2012	3,600	94,987
Allowance made during the period	68	1,794
Recoveries during the period	(67)	(1768)
Balance on December 31, 2014	3,601	95,013

Most of the allowance for doubtful credits is related to customers in judicial recovery.

- **Liquidity risks**

The book value of financial liabilities is the liquidity exposure. The liquidity exposure risk on the date of the financial statements was:

	03/31/2014	**12/31/2012**
Suppliers	27,816	22,144
Advances received (Client)	-	331
Loan	11,345	-
Taxes and Other Payables	1,779	1,947
Total	40,940	24,422

	03/31/2014 INR	**12/31/2012 INR**
Suppliers	733,931	592,086
Advances received (Client)	-	8,850
Loan	299,340	-
Taxes and Other Payables	46,939	52,049
Total	10,80,211	652,995

The expiration of the financial liabilities granted on the date of the financial statements was:

	Book value	Overdue up to 6 months	6 months or less	6 - 12 months
Suppliers	27,816	5,567	13,589	8,660
Taxes and Other Payables	1,779	-	1,779	
Loan	11,345	-	-	11,345
Total	40,940	5,567	15,368	20,005

(INR)

	Book value	Overdue up to 6 months	6 months or less	6 - 12 months
Suppliers	733,931	146,887	358,549	228,496
Taxes and Other Payables	46,939	-	46,939	
Loan	299,340	-	-	299,340
Total	1,080,211	146,887	405,488	527,836

- **Currency risk**

The exposure of the Company to foreign currency risk was as follows - based on nominal values:

	03/31/2014	12/31/2012
	USD	USD
Advances received (related parties)	-	162
Suppliers	12,282	10,836
Loans	5,000	-
	17,282	10,998

	03/31/2014	12/31/2012
	INR	INR
Advances received (related parties)	-	8,852
Suppliers	735,449	592,131
Loans	299,401	-
	1,034,850	600,984

The following exchange rates were applied during the year:

Average rate		Closing rate at the date of financial statements	
03/31/2014	12/31/2012	03/31/2014	12/31/2012
2.1287	1.9600	2.2624	2.0435

Sensitivity analysis of rate

The Company has liabilities linked to foreign currency in the balance of March 31, 2014 and for the purposes of sensitivity analysis, adopted as a likely scenario the rate of R$ 2.1287 (INR 56.16) to possible scenario, the rate used was R$ 2.3416 (INR 61.78) considering the increase of 10%, and for remote scenario, rate of R $ 2.6928 (INR 71.05) considering an increase of 15%.

Thus, the table below shows the simulation of the effect of exchange rate changes on future earnings:

	Scenarios		
Currency risk	**Probable**	**Possible**	**Remote**
Scenarios and price levels	2,1287	2,3416	2,6928
Passive position	36,788	40,467	46,537
Total net effect	-	3,679	9,749

	Scenarios(INR)		
Currency risk	**Probable**	**Possible**	**Remote**
Scenarios and price levels	1,274,671	1,402,156	1,612,455
Passive position	2,202,874	2,423,174	2,786,647
Total net effect	-	220,299	583,772

- **Fair value**

  Financial assets recorded at fair value through earning are measured at fair value and changes in fair value of these assets are recognized in the income statement.

Derivative financial instruments

The Company does not hold derivative financial instruments.

"Non-derivative" financial instruments

All "non-derivative" financial instruments (including those designated at fair value through earning) are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial investments - Financial investments refer mainly to bank certificates of deposit and fixed income funds, beared at rates from 100% to 102% of the Interbank Deposit Certificate - CDI, being presented at their fair value given the classification of fair value through earning, as shown above.

CPC 38 - Financial Instruments: Recognition and Measurement establishes a three-level hierarchy for fair value, which prioritizes information when measuring the fair value of the Company to maximize the use of observable information and minimize the use of unobservable information. CPC 38 describes the three levels of information to be used in measuring fair value:

- **Level 1 -** Negotiated prices (unadjusted) in active markets for identical assets or liabilities;

- **Level 2 -** Other available information, except Level 1, where the quoted prices (unadjusted) are for similar assets and liabilities, in non-active markets, or other information that is available and can be used indirectly (derived from prices).

- **Level 3 -** Unavailable information due to little or no market activity and that is significant for the definition of fair value of assets and liabilities.

The process of measuring the fair value of financial instruments of the Company is classified as Level 2.

- **Derivative financial instruments**

On March 31, 2014 the Company had no pending commitments or duties on swap contracts or hedge transactions. The Company does not engage in speculative investments in derivatives or any other risk assets.

*   *   *

Atul Dhingra President	Viswanathan Sethuraman Financial director
Walter Wiesmueller Coelho Filho Financial manager	Carlos Alberto Almeida Accountant CRC-RJ 103.509/0-1

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

i) Items relating to Profit and Loss account at Average rate: 1 Brazilian real= 0.0371 [2012: 1 Brazilian real =0.0366]

ii) Items relating to Balance sheet at Closing rate: 1 Brazilian real = 0.0379 [2012: 1 Brazilian real=0.0374]