



# Independent Auditor's Report

To the Members of  
Advanced Enzymes USA, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Advanced Enzymes USA, Inc (hereafter referred as holding company). And its subsidiaries (“Holding company and its subsidiaries hereafter referred as group”) which comprise the consolidated balance sheet as at March 31, 2017, the consolidated statement of profit and loss and the consolidated statement of cash flow for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies annexed thereto.

## **Management's Responsibility for the Consolidated Financial Statements**

Management of the holding company is responsible for the preparation of these consolidated 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. The responsibility includes maintenance of adequate accounting records in accordance with the provisions of act for safeguarding assets of the group , selection and application of accounting policies , making judgements and estimates that are reasonable and prudent and the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements the management is also responsible for assessing the ability of the group to continue as going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants and the Standards on Auditing as issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit



also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We are independent of the Group in accordance with the Code of Ethics issued by ICAI and AICPA, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Companies Act, 2013. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Act, 2013, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the consolidated Balance Sheet, the state of affairs of the Company as at March 31, 2017;
- b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date;  
and
- c) in the case of the consolidated Statement of Cash Flow, of the cash flows for the year ended on that date.

*Atul Deshmukh*

**Partner**  
**KNAV P.A.**  
**Certified Public Accountants**

Atlanta, Georgia  
May 15, 2017

# **Consolidated Financial statements**

Advanced Enzymes USA, Inc. and Subsidiaries

**31 March 2017**

Advanced Enzymes USA, Inc. and Subsidiaries  
 Consolidated balance sheets  
 (All amounts are stated in Indian Rupees, unless otherwise stated)

	Notes	As at 31 March 2017	As at 31 March 2016
<b>EQUITY and LIABILITIES</b>			
<i>Shareholders' funds</i>			
Share capital	3&4	285,831,054	285,831,054
Reserves and surplus	5	2,282,314,501	1,259,708,453
		<u>2,568,145,555</u>	<u>1,545,539,507</u>
<i>Non-current liabilities</i>			
Long-term borrowings	6	-	229,454,032
Deferred tax liabilities (net)	7	18,534,271	16,286,312
		<u>18,534,271</u>	<u>245,740,344</u>
<i>Current liabilities</i>			
Trade payables	9	32,260,397	46,691,735
Other current liabilities	10	16,299,265	422,229,633
Short-term provisions	8	7,127,707	60,546,294
		<u>55,687,369</u>	<u>529,467,662</u>
<b>Total</b>		<u><u>2,642,367,195</u></u>	<u><u>2,320,747,513</u></u>
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment			
Tangible assets	11	97,953,700	102,256,084
Intangible assets		2,155,364,715	1,709,529,686
		<u>2,253,318,415</u>	<u>1,811,785,770</u>
<i>Current assets</i>			
Inventories	13	239,314,106	207,222,754
Trade receivables	14	77,738,265	67,477,450
Cash and bank balances	15	57,273,057	230,367,662
Short-term loans and advances	12	14,723,354	3,893,877
		<u>389,048,782</u>	<u>508,961,743</u>
<b>Total</b>		<u><u>2,642,367,197</u></u>	<u><u>2,320,747,513</u></u>

Notes 1 to 30 form an integral part of these financial statements

This is the balance sheet referred to in our report of even date

For KNAV P.A.  
 Certified Public Accountants

*Atul Deshmukh*  
 Atul Deshmukh, CPA  
 Engagement Partner  
 Licensed in Georgia

For and on behalf of Board of Directors of Advanced Enzymes USA, Inc. and subsidiaries

*V. L. Rathi*  
 V. L. Rathi  
 Director

*V. L. Rathi*  
 V. L. Rathi  
 Director

Advanced Enzymes USA, Inc. and Subsidiaries  
 Consolidated statements of profit and loss  
 (All amounts are stated in Indian Rupees, unless otherwise stated)

	Notes	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>Revenue</b>			
Revenue from operations (net)			
Other income	16	1,73,63,13,913	1,65,61,69,639
<b>Total revenue</b>	17	<u>35,31,932</u>	<u>40,22,333</u>
		<u>1,73,98,45,845</u>	<u>1,66,01,91,972</u>
<b>Expenses</b>			
Cost of materials consumed	18	44,07,33,234	46,71,57,740
Changes in inventories of finished goods and work-in-progress	19	3,70,78,864	(3,50,12,848)
Employee benefit expenses	20	17,58,41,676	16,22,86,620
Finance costs	21	1,39,69,317	2,87,45,329
Depreciation and amortisation expense	22	2,58,93,365	88,90,006
Other expenses	23	12,59,46,624	15,83,61,092
<b>Total expenses</b>		<u>81,94,63,081</u>	<u>79,04,27,939</u>
<b>Profit before tax</b>		<u>92,03,82,764</u>	<u>86,97,64,033</u>
<b>Tax expense</b>			
Current tax		33,97,51,901	28,24,40,038
Deferred tax		27,24,118	6,06,04,109
Tax adjustment for earlier years		(1,25,47,674)	
		<u>32,99,28,345</u>	<u>34,30,44,147</u>
<b>Profit after tax</b>		<u>59,04,54,419</u>	<u>52,67,19,886</u>
<b>Earnings per equity share (par value USD 1,000 each)</b>			
<b>Before exceptional item</b>			
Basic			
Diluted		1,01,123	91,507
<b>After exceptional item</b>		1,01,123	91,507
Basic			
Diluted		1,01,123	91,507
		1,01,123	91,507

Notes 1 to 30 form an integral part of these financial statements

This is the statement of profit and loss referred to in our report of even date

For KNAV P.A.  
 Certified Public Accountants

*Atul Deshmukh*  
 Atul Deshmukh, CPA  
 Engagement Partner  
 Licensed in Georgia

For and on behalf of Board of Directors of Advanced Enzymes  
 USA, Inc. and subsidiaries

*V. L. Rathi*

V. L. Rathi  
 Director

*C. L. Rathi*

C. L. Rathi  
 Director

Advanced Enzymes USA, Inc. and Subsidiaries  
 Consolidated statements of cash flows  
 (All amounts are stated in Indian Rupees, unless otherwise stated)

	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>Cash flows from operating activities</b>		
Profit before tax	92,03,82,764	86,97,64,033
Exceptional items		
Profit before exceptional items and tax	92,03,82,764	86,97,64,033
<b>Adjustments for non-cash transactions</b>		
Depreciation and amortisation expense	2,58,93,365	88,90,006
Provision for bad debts		1,22,648
	94,62,76,130	87,87,76,687
<b>Items considered separately</b>		
Interest income		(27,13,081)
Interest expenses	1,79,20,009	2,87,45,329
	96,41,96,138	90,48,08,935
<b>Operating profit before working capital changes</b>		
Increase / (decrease) in short term liabilities and provisions	28,66,88,130	3,23,42,318
Increase / (decrease) in trade payables	(1,38,43,996)	(3,76,31,192)
(Increase) / decrease in inventories	(3,80,35,695)	(1,57,34,657)
(Increase) / decrease in trade receivables	(1,21,89,896)	(42,96,705)
(Increase) / decrease in short term loans and advances	17,17,376	(12,75,276)
Cash generated from operating activities	1,18,85,32,058	87,82,13,423
Income taxes paid	(39,07,95,209)	(18,54,84,817)
Net cash generated from operating activities	79,77,36,849	69,27,28,606
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(2,38,86,455)	(3,95,92,380)
Interest received		27,13,081
Net cash used in investing activities	(2,38,86,455)	(3,68,79,299)
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital		25,75,70,140
Proceeds from long term borrowings	40,00,00,000	
Repayment of long term borrowings	(1,33,22,36,032)	(61,03,84,138)
Repayment of short term borrowings		(1,05,99,537)
Interest paid	(1,79,20,009)	(3,84,94,316)
Net cash used in financing activities	(95,01,56,041)	(40,19,07,851)
Net (decrease) / increase in cash and cash equivalents	(17,63,05,647)	25,39,41,462
Cash and cash equivalents as at the beginning of the year	23,03,67,662	2,88,47,532
Effect of exchange rate changes on cash and cash equivalents held	32,11,042	(5,24,21,332)
Cash and cash equivalents as at the end of the year	5,72,73,057	23,03,67,662

Notes to the cash flow statement

- 1) The cash flow statement has been prepared under indirect method as set out in Accounting Standard 3, 'Cash Flow Statement' as notified by the Central Government under the Companies Act, 2013.

This is the Cash flow statement referred to in our report of even date

For KNAV P.A.  
 Certified Public Accountants

Atul Deshmukh  
 Atul Deshmukh, CPA  
 Engagement Partner  
 Licensed in Georgia

For and on behalf of Board of Directors of Advanced Enzymes  
 USA, Inc. and subsidiaries

W. L. Rathi  
 Director

L. L. Rathi  
 Director

## Summary of significant accounting policies and other explanatory information

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements is as follows:

### (a) Basis of preparation

The accompanying consolidated financial statements which have been prepared and presented under the historical cost convention on the accrual basis of accounting are in accordance with the requirements of the Companies Act, 2013 ('the Act') and comply to all material aspects with the applicable Accounting Standards specified under section 133 of the Act, read with rule 7 of the companies (Accounts) rule, 2014 (as amended). The accounting policies have been consistently applied by Advanced Enzymes USA, Inc. and subsidiaries (collectively hereinafter referred to as "the Company").

### (b) Principles of consolidation

The consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the Accounting Standard (AS)-21, "Consolidated Financial Statements".

The consolidated financial statements are prepared in Indian Rupees ("INR") and include the accounts of the Company and all of its subsidiaries in which a controlling interest is maintained. Control is defined as a) the ownership, directly or indirectly through subsidiaries of more than one-half of the voting power of an enterprise; or b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise so as to obtain economic benefits from its activities. When the Company does not have a controlling interest in an entity, but exerts significant influence over the entity, the Company applies the equity method of accounting. Intercompany balances and transactions are eliminated.

### (c) Use of estimates

The preparation of consolidated financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumption that affect the reported amounts of assets and liabilities, revenue and expenses and disclosure of contingent liabilities. The estimates and assumptions used in accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. Actual results may differ from the estimates and assumptions used in preparing the consolidated accompanying financial statements. Any revision to accounting estimates is recognized prospectively in current and future periods.

### (d) Revenue recognition

- Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured.
- Revenue from sale of products is recognized on delivery of the products, when all significant contractual obligations have been satisfied, the property in the goods is transferred for a price, significant risks and rewards of ownership are transferred to the customer/ agent and no effective ownership is retained.
- Interest revenue is recognized on a time proportionate basis, taking into account the amount outstanding and the rates applicable.

The Company's revenue represents sales of finished goods inventory and is recognized when delivered or picked up by customers.

(e) Inventories

Inventories of stores, spares, packing material, raw material, finished goods and stock in process are valued at lower of cost or net realizable value.

Cost of raw materials, stores, spares and packing materials is determined on first-in-first-out basis. Cost of finished goods and stock in process is determined by considering materials, labor, and other related costs incurred in bringing the inventories to their present condition and location. Cost of finished goods and stock in process is determined on weighted average basis.

(f) Property, plant and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful life of the assets using the straight-line method. Expenditures for maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the cost of the asset and related depreciation are eliminated from the financial records. Any gain or loss on disposition is credited or charged to income.

The estimated useful lives of assets are as follows:

Equipment (Office and Machinery)	5 years
Computer equipment and software	3 years
Furniture and fixtures	5 years
Leasehold improvements	Term of the lease

(g) Impairment of assets

In accordance with Accounting Standard (AS) 28 on 'Impairment of Assets', the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the assets or where applicable, that of the cash generating unit to which the asset belongs is estimated as the higher of its net selling price and its value in use. An impairment loss is recognized whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment loss is recognized in the Statement of profit and loss or against revaluation surplus where applicable.

(h) Cash and cash equivalents

Cash equivalents represent highly liquid investments with remaining maturities, at the date of purchase/ investment, of three months or less.

(i) Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

(j) Income taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company. The Company accounts for deferred taxes under the liability method. Deferred tax assets



and liabilities are recognized for the future tax consequences attributed to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of income in the period of change. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

(k) Employee benefits

- i. All short term employee benefits are accounted on undiscounted basis during the accounting period based on services rendered by employees.
- ii. Defined contribution plans

Contributions to defined contribution plans are charged to income in the period in which they accrue. The Company has a discretionary profit sharing plan and 401(k) matching plan covering eligible and participating employees.

(l) Leases

Leases where the lesser effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of profit and loss on straight line basis.

(m) Reclassifications

Certain reclassifications, regroupings and reworking have been made in the consolidated financial statements of prior periods to conform to the classifications used in the current year. These changes had no impact on previously reported net profit or reserves and surplus.

(n) Foreign currency translation

The translation of consolidated financial statements from the local currency to the reporting currency of the Company is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date and for revenue, expense and cash-flow items using average exchange rate for the respective periods and the resulting difference is presented as foreign currency translation reserve included in 'Reserves and Surplus'.

The consolidated financial statements of the company are reported in Indian Rupees. The functional currency of Advanced Enzymes USA, Inc. and subsidiaries is United States Dollars.

(o) Earnings per share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard - 20, "Earnings per Share" of Companies (Accounts) Rules, 2013. The basic and dilutive earnings / (loss) per share is computed by dividing the net profit / (loss) attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Dilutive earnings per share is computed and disclosed after adjusting the effects of all dilutive potential equity shares, if any, except when the results will be anti-dilutive.

Advanced Enzymes USA, Inc. and Subsidiaries

Notes to consolidated financial statements

(All amounts are stated in Indian Rupees except for the number of shares, unless otherwise stated)

	As at 31 March 2017		As at 31 March 2016	
	Number	Amount	Number	Amount
<b>3 Share capital</b>				
<b>Authorised</b>				
Equity shares of USD 1,000 each	1,00,000	6,48,38,60,000	1,00,000	6,63,32,90,000
	<b>1,00,000</b>	<b>6,48,38,60,000</b>	<b>1,00,000</b>	<b>6,63,32,90,000</b>
<b>Issued, subscribed and fully paid up</b>				
Equity shares of USD 1,000 each	5,839	28,58,31,054	5,839	28,58,31,054
<b>Total</b>	<b>5,839</b>	<b>28,58,31,054</b>	<b>5,839</b>	<b>28,58,31,054</b>

	As at 31 March 2017		As at 31 March 2016	
	Number	INR	Number	INR
<b>4 Reconciliation of Equity share capital</b>				
Balance at the beginning of the year	5,839	28,58,31,054	5,600	27,04,25,000
Add : Issued during the year	-	-	239	1,54,06,054
<b>Balance at the end of the year</b>	<b>5,839</b>	<b>28,58,31,054</b>	<b>5,839</b>	<b>28,58,31,054</b>

b) Rights, preferences and restrictions attached to shares

The company has one class of equity shares having a par value of USD \$ 1,000 per share. Each shareholder is eligible for one vote per share held. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company, in proportion to their shareholding.

Shareholding structure

c) Shareholders holding more than 5% of the shares

	Number	% of holding	Number	% of holding
<b>Equity shares of USD 1,000 each</b>				
Advanced Enzyme Technologies Limited	5,839	100.00%	5,839	100.00%
	<b>5,839</b>	<b>100.00%</b>	<b>5,839</b>	<b>100.00%</b>

**Advanced Enzymes USA, Inc. and Subsidiaries****Notes to consolidated financial statements***(All amounts are stated in Indian Rupees, unless otherwise stated)*

	As at 31 March 2017	As at 31 March 2016
<b>5 Reserves and surplus</b>		
<b>Foreign currency translation reserve</b>		
Balance at the beginning of the year	(300,995,627)	(250,312,858)
Add : Additions made during the year	432,151,629	(50,682,769)
Balance at the end of the year	<u>131,156,002</u>	<u>(300,995,627)</u>
<b>Securities premium</b>		
Balance at the beginning of the year	242,164,086	
Add : Additions made during the year	-	242,164,086
Balance at the end of the year	<u>242,164,086</u>	<u>242,164,086</u>
<b>Surplus in the statement of profit and loss</b>		
Balance at the beginning of the year	1,318,539,994	791,820,108
Add : Transferred from statement of profit and loss	590,454,419	526,719,885
Balance at the end of the year	<u>1,908,994,413</u>	<u>1,318,539,994</u>
	<u>2,282,314,501</u>	<u>1,259,708,453</u>

Advanced Enzymes USA, Inc. and Subsidiaries  
Notes to the consolidated financial statements  
(All amounts are stated in Indian Rupees, unless otherwise stated.)

	As at 31 March 2017		As at 31 March 2016	
	Long term	Short term	Long term	Short term
<b>6 Borrowings</b>				
<b>Secured</b>				
Loans from related parties	-	-	22,94,54,032	-
<b>Unsecured</b>				
Loans from related parties	-	-	-	-
<b>Total borrowings</b>	<b>-</b>	<b>-</b>	<b>22,94,54,032</b>	<b>-</b>

**Details of borrowings**

(i) Term loans from related parties were secured by pledge of 2,000 equity shares of Cal India Food International and 1000 shares of Advanced Supplementary Technologies Corporation.

**(ii) AETL Loan**

Based on the agreement dated August 1, 2016, the Company obtained loan from AETL (parent company) in Indian Rupees amounting to INR 400,000,000 i.e. USD 5,976,393. Rate of Interest on loan is 10.50% per annum. The loan was provided as a financial assistance in the form of unsecured loan. The purpose of the finance is for repayment of loans availed by the company i.e. loan from Vasant Rathi and Rathi Properties LLC.

**Terms of the loan:**

Repayment of Loan : Five Quarterly Instalments of INR 80,000,000 commencing from quarter ended 30.09.2016 payable on 7th of next month.

The company pre - repaid the entire loan in the current year. The overall interest expense for the year ended March 31, 2017, amounted to USD 170,862 (INR 11,615,086). No prepayment penalty is levied. The exchange gain on the transaction amounts to USD 58,887, which is recorded as finance cost.

**(iii) Vasant Rathi Loan**

On June 30, 2016 and August 11, 2016 the company pre-paid the entire loan from Vasant Rathi (related party) in two installments of USD 916,489 and USD 5,724,041, respectively. The overall interest expense for the year ended March 31, 2017, amounted to USD 81,634 (Year ended March 31, 2016 : 380,055). No prepayment penalty is levied.

**(iv) Rathi Properties LLC Loan**

On June 30, 2016 and August 11, 2016 the company pre-paid the entire loan from Rathi Properties LLC. (related party) in two installments of USD 161,594 and USD 1,025,971, respectively. The overall interest expense for the year ended March 31, 2017, amounted to USD 14,608 (Year ended March 31, 2016 : 59,064). No prepayment penalty is levied.

Advanced Enzymes USA, Inc. and Subsidiaries  
Notes to the consolidated financial statements  
(All amounts are stated in Indian Rupees, unless otherwise stated)

	As at 31 March 2017	As at 31 March 2016
7 <b>Deferred taxes</b>		
Fixed assets	2,02,48,669	2,13,89,817
Trade receivable	(1,70,980)	(1,74,921)
Inventories	(15,43,418)	(35,97,927)
Provision for product recall liability	-	(13,30,658)
<b>Net deferred tax liabilities</b>	<b>1,85,34,271</b>	<b>1,62,86,312</b>

**Advanced Enzymes USA, Inc. and Subsidiaries**  
**Notes to the consolidated financial statements**  
*(All amounts are stated in Indian Rupees, unless otherwise stated)*

	As at 31 March 2017		As at 31 March 2016	
	Long term	Short term	Long term	Short term
<b>Provisions</b>				
Provision for employee Benefits	-	7,127,707	-	7,199,110
Provision for taxation (net of advance tax)	-	-	-	50,006,874
Provision for product recall expenses	-	-	-	3,340,310
	-	<b>7,127,707</b>	-	<b>60,546,294</b>

Movement for provision of employee benefits during the year:

	As at 31 March 2017		As at 31 March 2016	
	Long term	Short term	Long term	Short term
Opening	-	7,199,110	-	-
Contribution during the year	-	(7,404,612)	-	-
Provided during the year	-	7,384,625	-	7,224,872
Foreign exchange currency translation	-	(51,416)	-	(25,762)
Closing Provision	-	<b>7,127,707</b>	-	<b>7,199,110</b>

**Advanced Enzymes USA, Inc. and Subsidiaries**  
**Notes to the consolidated financial statements**  
(All amounts are stated in Indian Rupees, unless otherwise stated)

	<b>As at</b>	<b>As at</b>
	<b>31 March 2017</b>	<b>31 March 2016</b>
<b>9 Trade payables</b>		
Dues to others	3,22,60,397	4,66,91,735
	<u>3,22,60,397</u>	<u>4,66,91,735</u>

**Advanced Enzymes USA, Inc. and Subsidiaries**  
**Notes to the consolidated financial statements**  
*(All amounts are stated in Indian Rupees, unless otherwise stated)*

	<b>As at</b> <b>31 March 2017</b>	<b>As at</b> <b>31 March 2016</b>
<b>10 Other current liabilities</b>		
Current maturities of long term loans	-	289,806,410
Other statutory dues	10,384	569,198
Other payables	9,922,314	5,868,213
Income received in advance	6,366,567	125,985,812
	<u>16,299,265</u>	<u>422,229,633</u>



Advanced Enzymes USA, Inc. and Subsidiaries  
Notes to the consolidated financial statements  
(All amounts are stated in Indian Rupees, unless otherwise stated)

11 Tangible assets

	Office equipments	Furniture and fixtures	Computer	Leasehold improvements	Plant and equipment	Total
<b>Gross block</b>						
Balance as at 31 March 2015	37,81,868	-	89,59,385	12,44,393	2,41,77,033	3,81,32,678
Additions		42,74,415	2,64,861	7,25,07,492	1,11,45,598	8,81,92,367
- Foreign exchange fluctuation	51,488	44,269	1,42,331	10,35,066	10,18,350	22,91,510
Balance as at 31 March 2016	38,03,356	43,18,684	93,66,577	7,47,86,950	3,63,40,980	12,86,16,555
Additions	9,56,027	10,94,039	34,15,196	85,10,852	99,10,341	2,38,86,455
- Foreign exchange fluctuation	(28,858)	(59,931)	(95,890)	(15,60,754)	(5,49,997)	(22,95,431)
Balance as at 31 March 2017	47,30,525	53,52,792	1,26,85,883	8,17,37,049	4,57,01,325	15,02,07,579
<b>Accumulated depreciation and amortisation</b>						
Balance as at 31 March 2015	27,09,623	-	62,22,388	24,309	85,14,124	1,74,70,443
Depreciation expense	8,12,770	9,50,488	18,64,568	2,67,193	49,95,007	88,90,107
Balance as at 31 March 2016	35,22,393	9,50,488	80,86,956	2,91,502	1,35,09,131	2,63,60,470
Depreciation expense	2,84,559	15,69,277	14,16,400	1,37,75,579	88,47,594	2,58,93,409
Balance as at 31 March 2017	38,06,952	25,19,765	95,03,356	1,40,67,081	2,23,56,725	3,22,53,879
<b>Net block</b>						
Balance as at 31 March 2016	2,80,963	33,68,196	12,79,621	7,44,95,448	2,28,31,849	10,22,56,085
Balance as at 31 March 2017	9,23,573	28,33,027	31,82,527	6,76,69,968	2,33,44,600	9,79,53,700
<b>Capital Work-in-progress</b>						
Balance as at 31 March 2016	-	-	-	-	-	-
Balance as at 31 March 2017	-	-	-	-	-	-

**Advanced Enzymes USA, Inc. and Subsidiaries**  
**Notes to the consolidated financial statements**  
(All amounts are stated in Indian Rupees, unless otherwise stated.)

	<u>As at</u> <u>31 March 2017</u>	<u>As at</u> <u>31 March 2016</u>
	<u>Short term</u>	<u>Short term</u>
<b>12 Short-term loans and advances</b>		
Advances recoverable in cash or in kind or for value to be received	21,46,340	38,93,877
Advance income tax (net of provisions)	1,25,77,014	-
	<u>1,47,23,354</u>	<u>38,93,877</u>

**Advanced Enzymes USA, Inc. and Subsidiaries**  
**Notes to the consolidated financial statements**  
 (All amounts are stated in Indian Rupees, unless otherwise stated)

	As at 31 March 2017	As at 31 March 2016
<b>13 Inventories (valued at cost or lower of net realisable value)</b>		
Raw materials (including goods-in-transit of Rs. Nil; (March 31, 2016: Rs. 18,175,215))	17,99,46,045	10,74,02,787
Work-in-progress	36,17,516	54,40,619
Finished goods	5,39,57,706	9,31,55,287
Stores and spares	17,92,839	12,24,061
	<u>23,93,14,106</u>	<u>20,72,22,754</u>
<b>14 Trade receivables</b>		
Outstanding for a period exceeding six months from the date they are due for		
Unsecured considered good	30,609	
Other debts		
Unsecured considered good	7,81,36,888	6,79,16,574
Provision of bad and doubtful debts	(4,29,232)	(4,39,124)
	<u>7,77,38,265</u>	<u>6,74,77,450</u>

Advanced Enzymes USA, Inc. and Subsidiaries  
Notes to the consolidated financial statements  
(All amounts are stated in Indian Rupees, unless otherwise stated)

	As at 31 March 2017		As at 31 March 2016	
	Current	Non-current	Current	Non-current
<b>15 Cash and bank balances</b>				
<b>Cash and cash equivalents</b>				
Cash on hand	32,419	-	33,166	-
Balances with banks				
- in current accounts	5,72,40,638	-	23,03,34,496	-
<b>Total</b>	<b>5,72,73,057</b>	<b>-</b>	<b>23,03,67,662</b>	<b>-</b>

Advanced Enzymes USA, Inc. and Subsidiaries  
Notes to the consolidated financial statements  
(All amounts are stated in Indian Rupees, unless otherwise stated)

	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>16 Revenue</b>		
Revenue from operations		
Sale of products	1,73,63,13,913	1,65,61,69,639
Revenue from operations (Net)	<u>1,73,63,13,913</u>	<u>1,65,61,69,639</u>
<b>17 Other income</b>		
Other non-operating income	35,31,932	40,22,333
	<u>35,31,932</u>	<u>40,22,333</u>
<b>18 Cost of materials consumed</b>		
Opening stock		
Raw materials and components	10,74,02,787	12,64,93,789
	<u>10,74,02,787</u>	<u>12,64,93,789</u>
Add : Purchases during the year		
Raw materials and components	51,32,76,492	44,80,66,738
	<u>51,32,76,492</u>	<u>44,80,66,738</u>
Less : Closing stock		
Raw materials and components	17,99,46,045	10,74,02,787
	<u>44,07,33,234</u>	<u>46,71,57,740</u>
<b>19 Changes in inventories of finished goods, work-in-progress and traded goods</b>		
Opening stock		
- Manufactured goods	9,31,38,892	5,61,52,166
- Work-in-progress	53,69,111	73,42,989
	<u>9,85,08,003</u>	<u>6,34,95,155</u>
Closing stock		
- Manufactured goods	5,76,86,033	9,31,38,892
- Work-in-progress	37,43,106	53,69,111
	<u>6,14,29,139</u>	<u>9,85,08,003</u>
	<u>3,70,78,864</u>	<u>(3,50,12,848)</u>
<b>20 Employee benefit expense</b>		
Salaries, wages and bonus	15,73,89,079	14,47,56,037
Contribution to defined contribution plan	73,84,625	72,24,872
Payroll taxes	1,10,67,972	1,03,05,711
	<u>17,58,41,676</u>	<u>16,22,86,620</u>
<b>21 Finance costs</b>		
Interest expenses	1,79,20,009	2,87,45,329
Gain on foreign currency transactions and translations	(39,50,692)	-
	<u>1,39,69,317</u>	<u>2,87,45,329</u>
<b>22 Depreciation and amortisation expense</b>		
Depreciation of tangible assets (Also, refer note 11)	2,58,93,365	88,90,006
	<u>2,58,93,365</u>	<u>88,90,006</u>

## 23 Other expenses

Utilities	51,58,466	44,07,929
Carriage inward and freight	64,63,267	70,68,525
Custom brokers	36,55,309	30,30,961
Rent	1,46,40,886	1,22,52,309
Rates and taxes	20,79,621	20,01,356
Repairs and maintenance	80,34,622	36,90,897
Laboratory expenses	57,91,616	1,01,02,261
Insurance	1,06,94,619	97,61,274
Legal and professional fees	91,62,125	1,98,39,363
Auditors' remuneration	15,16,225	15,71,066
Donation	1,00,634	16,365
Communication	22,74,809	20,17,448
Travel, conveyance and car hire	98,24,868	66,12,691
Commission	7,14,954	3,35,263
Advertisement and sales promotion	89,51,149	94,55,234
Bad debts	-	1,22,648
Sales tax	32,840	3,87,221
General expense	1,36,87,376	1,11,21,165
IT consulting	36,62,590	42,64,354
Bank charges	47,37,434	47,85,875
Discount	59,43,262	45,46,964
Others (Tax)	-	14,207
Product recall expenses (refer note 29)	88,25,764	4,09,55,716
	<u>12,59,46,624</u>	<u>15,83,61,092</u>

### Provision for product recall claims

The Company in the month of October 2013, conducted a voluntary recall of its products as the Company based on its laboratory testing discovered that the enzymes it manufactured might contain certain elements which might result into severe medical problems. As a result, various products of the Company were subject to several lawsuits and product liability claims. There were a significant number of claimants who had pending lawsuits or claims regarding the products of the Company seeking consequential damages, as well as related costs, expenses and attorney fees. During the year ended March 31, 2017, the Company settled the last pending claim by paying USD 200,000 (INR 13,417,920) (March 31 2016 USD 575,293 INR 37,658,680) and provision for product recall liability for the year then ended is NIL (March 31, 2016 INR 3,340,310).

## 24 Earning per share

<b>a) Computation of profit for computing</b>		
Net profit for the year before exceptional items	59,04,54,419	52,67,19,885
Net profit for the year after exceptional items	59,04,54,419	52,67,19,886
<b>b) Number of equity shares</b>		
Basic	5,839	5,756
Diluted	5,839	5,756
<b>c) Nominal value of shares</b>		
	USD 1,000	USD 1,000
<b>d) Computation</b>		
<b>Before exceptional item</b>		
Basic	1,01,123	91,507
Diluted	1,01,123	91,507
<b>After exceptional item</b>		
Basic	1,01,123	91,507
Diluted	1,01,123	91,507
<b>From continuing operations</b>		
Basic	1,01,123	91,507
Diluted	1,01,123	91,507

Advanced Enzymes USA, Inc. and Subsidiaries  
 Notes to the consolidated financial statements  
 (All amounts are stated in Indian Rupees, unless otherwise stated)

25 Segment reporting

Business segment / geographical segment

For the year ended 31 March 2017

Particulars	Revenue	Segment assets	Capital expenditure
Rest of world	28,59,14,514	-	-
America	1,45,03,99,400	2,64,23,67,197	3,56,038
<b>Total</b>	<b>1,73,63,13,914</b>	<b>2,64,23,67,197</b>	<b>3,56,038</b>

For the year ended 31 March 2016

Particulars	Revenue	Segment assets	Capital expenditure
Rest of world	30,45,34,114	-	-
America	1,35,16,35,525	2,32,07,47,513	3,95,92,380
<b>Total</b>	<b>1,65,61,69,639</b>	<b>2,32,07,47,513</b>	<b>3,95,92,380</b>

Advanced Enzymes USA, Inc. and Subsidiaries  
Notes to the consolidated financial statements  
(All amounts are stated in Indian Rupees, unless otherwise stated)

26 Related parties

a) Names of related parties

Relationship	Name
Ultimate holding company	Advanced Enzyme Technologies Limited
Fellow subsidiaries	Advanced Bio-Agro Tech Limited Advanced EnzyTech Solutions Limited JC Biotech Private Limited
Companies in which directors of the Company are able to exercise control or have significant influence	Rathi Properties LLC Vasant and Prabha Rathi Generation Trust
Key management personnel (KMP)	Mr. Vasant L. Rathi Mrs. Prabha V. Rathi
Relatives of KMP:	Ms. Rachana V. Rathi Ms. Rasika V. Rathi Ms. Reshama V. Rathi

b) Transactions with related parties

	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>Purchases of Goods</b>		
Advanced Enzyme Technologies Ltd	34,24,48,791	26,74,37,915
<b>Sale of Goods</b>		
Advanced Enzyme Technologies Ltd	67,88,126	91,38,365
<b>Rent Paid</b>		
Rathi Properties LLC	1,03,91,498	87,17,411
Vasant Rathi	42,49,388	35,34,898
<b>Remuneration to Directors &amp; their Relatives</b>		
Prabha V. Rathi	1,30,82,472	1,27,72,420
Reshama Rathi	53,87,291	52,53,257
Vasant L. Rathi	2,40,28,798	2,08,24,136
Rachana Rathi	53,87,291	52,53,257
Rasika Rathi	76,95,424	78,33,912
<b>Loan received</b>		
Advanced Enzyme Technologies Ltd	40,00,00,000	-
<b>Loan repaid</b>		
Vasant L. Rathi	44,55,10,625	56,95,33,996
Rathi Property LLC	7,96,73,259	9,94,77,779
Advanced Enzyme Technologies Ltd	40,00,00,000	-



**Advanced Enzymes USA, Inc. and Subsidiaries**  
**Notes to the consolidated financial statements**  
 (All amounts are stated in Indian Rupees, unless otherwise stated)

<b>Advances (net)</b>		
Advanced Enzyme Technologies Ltd	-	11,53,387
<b>Interest paid</b>		
Vasant L. Rathi	54,76,865	2,48,78,919
Rathi Property LLC	9,80,111	38,66,410
Advanced Enzyme Technologies Ltd	1,14,63,033	-

**c) Balances with related parties**

	As at 31 March 2017	As at 31 March 2016
<b>a. Accounts Receivable</b>		
Advanced Enzyme Technologies Ltd	-	54,79,098
<b>b. Accounts Payable</b>		
Advanced Enzyme Technologies Ltd	2,19,80,285	1,81,75,215
<b>c. Loan Payable</b>		
Vasant L. Rathi	-	44,04,85,722
Rathi Properties LLC	-	7,87,74,691

**d) Additional issue of share capital**

	For the year ended March 31, 2017	For the year ended March 31, 2016
Issue of share capital	-	1,54,06,054

During the year ended March 31, 2016, Advanced Enzyme Technology Limited made an additional investment in Advance Enzymes USA, Inc. Pursuant to this, the Company issued 127 common shares at the value of USD \$ 17,340 and 112 shares at the value of USD \$ 16,039 ( Face Value:USD \$ 1,000) per share.

Advanced Enzymes USA, Inc. and Subsidiaries  
 Notes to the consolidated financial statements  
 (All amounts are stated in Indian Rupees, unless otherwise stated)

27 Disclosures in respect of non-cancellable operating leases

Payable not later than 1 year  
 Payable later than 1 year not later than five years  
 Total

For the year ended 31 March 2017	For the year ended 31 March 2016
2,08,92,184	65,38,055
7,83,45,690	
<u>9,92,37,874</u>	<u>65,38,055</u>

Lease payments charged off to the statement of profit and loss

28 Payments to auditors

As auditor  
 Statutory audit

For the year ended 31 March 2017	For the year ended 31 March 2016
1,46,40,886	1,22,52,309

For the year ended 31 March 2017	For the year ended 31 March 2016
15,16,225	15,71,066
<u>15,16,225</u>	<u>15,71,066</u>

29 Foreign currency translation reserve adjustment

The foreign currency translation reserve of the Company has increased on account of the restatement of goodwill on consolidation by Rs. 445.84 million, including an adjustment of Rs. 495.51 million pertaining to earlier year.

30 Subsequent Events

The company has evaluated all events and transactions that occurred after March 31, 2017 through May 15, 2017; the date the financial statements are issued. Based on the evaluation, the company is not aware of any events or transactions that would require recognition or disclosure in the financial statements.

For KNAV P.A.  
 Certified Public Accountants

*Atul Deshmukh*  
 Atul Deshmukh, CPA  
 Engagement Partner  
 KNAV P.A.  
 Certified Public Accountants  
 Licensed in Georgia  
 Place : Atlanta, Georgia

For and on behalf of Board of Directors of Advanced  
 Enzyme USA Inc. and subsidiaries

*V. L. Rathi*

V. L. Rathi  
 Director

*V. L. Rathi*  
 Director

Place : Chino

Place : Thane