

TARO PHARMACEUTICAL INDUSTRIES LTD
Form 20-F
June 21, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE
ACT OF 1934
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
For the transition period from to

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

Date of event requiring this shell company report

Commission file number 001-35463

TARO PHARMACEUTICAL INDUSTRIES LTD.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Israel

(Jurisdiction of incorporation or organization)

14 Hakitor Street, Haifa Bay 2624761, Israel

(Address of principal executive offices)

Mariano Balaguer

Chief Financial Officer

Taro Pharmaceutical Industries Ltd.

c/o Taro Pharmaceuticals U.S.A., Inc.

3 Skyline Drive

Hawthorne, NY 10532

Tel: 914-345-9000

Fax: 914-345-6169

Email: Mariano.Balaguer@Taro.com

(Name, telephone, email and/or facsimile number and address of Company contact person)

Edgar Filing: TARO PHARMACEUTICAL INDUSTRIES LTD - Form 20-F

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares, NIS 0.0001 nominal (par) value per share	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report:

39,427,515 Ordinary Shares, NIS 0.0001 nominal (par) value per share, and 2,600 Founders' Shares NIS 0.00001 nominal (par) value per share outstanding as of March 31, 2018

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note—checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer or an emerging growth company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Edgar Filing: TARO PHARMACEUTICAL INDUSTRIES LTD - Form 20-F

Large accelerated filer: Accelerated filer: Non-accelerated filer: Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act:

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an Annual Report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

INTRODUCTION

We, among other business activities, develop, manufacture and market prescription (“Rx”) and over-the-counter (“OTC”) pharmaceutical products, primarily in the United States (the “U.S.”), Canada and Israel. We also develop and manufacture active pharmaceutical ingredients (“APIs”), primarily for use in our finished dosage form products. We were incorporated in 1959 under the laws of the State of Israel. In 1961, we completed the initial public offering of our ordinary shares in the United States. Our ordinary shares have been listed on the New York Stock Exchange (the “NYSE”) under the symbol “TARO,” since March 22, 2012.

As used in this Annual Report on Form 20-F for the fiscal year ended March 31, 2018 (the “2018 Annual Report”), the terms “we,” “us,” “our,” “Taro” and the “Company” mean Taro Pharmaceutical Industries Ltd. (“Taro Israel”) and its subsidiaries unless otherwise indicated.

This 2018 Annual Report is being filed in respect of the fiscal year ended March 31, 2018, and contains the audited consolidated financial statements for the year then ended.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained in this 2018 Annual Report, the statements contained herein, in particular with respect to our business, financial condition and results of operations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including all the risks discussed in “Item 3D—Risk Factors” and elsewhere in this 2018 Annual Report. We urge you to consider that statements which use the terms “believe,” “expect,” “plan,” “intend,” “estimate,” “anticipate,” “should,” “will,” “may,” “hope” and similar expressions are intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and are subject to risks and uncertainties. Except as required by applicable law, including the securities laws of the United States, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements appearing in this 2018 Annual Report are reported in U.S. dollars in thousands, unless otherwise indicated, and are prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). Totals presented in this 2018 Annual Report may not total correctly due to rounding of numbers.

All references in this 2018 Annual Report to “dollars,” or “\$,” are to U.S. dollars, all references in this Annual Report to “NIS” are to New Israeli Shekel, and all references in this Annual Report to “CAD” are to Canadian dollars. The published ⁽¹⁾ representative exchange rate between the NIS and the dollar for March 31, 2018 was NIS 3.51 per \$1.00. The published ⁽²⁾ representative exchange rate between the CAD and the dollar for March 31, 2018 was CAD 1.29 CAD per \$1.00. No representation is made that the NIS amounts or CAD amounts could have been, or could be, converted into dollars at rates specified herein or any other rate.

(1)As published by The Bank of Israel.

(2)As published by Bloomberg L.P.

TABLE OF CONTENTS

<u>PART I</u>	1
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	1
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	1
<u>ITEM 3. KEY INFORMATION</u>	2
<u>A. SELECTED FINANCIAL DATA</u>	2
<u>B. CAPITALIZATION AND INDEBTEDNESS</u>	3
<u>C. REASONS FOR THE OFFER AND USE OF PROCEEDS</u>	3
<u>D. RISK FACTORS</u>	3
<u>ITEM 4. INFORMATION ON THE COMPANY</u>	21
<u>A. HISTORY AND DEVELOPMENT OF THE COMPANY</u>	21
<u>B. BUSINESS OVERVIEW</u>	22
<u>C. ORGANIZATIONAL STRUCTURE</u>	37
<u>D. PROPERTY, PLANT AND EQUIPMENT</u>	37
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	39
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	39
<u>A. OPERATING RESULTS</u>	39
<u>B. LIQUIDITY AND CAPITAL RESOURCES</u>	48
<u>C. RESEARCH AND DEVELOPMENT, PATENTS, TRADEMARKS AND LICENSES</u>	49
<u>D. TREND INFORMATION</u>	51
<u>E. OFF-BALANCE SHEET ARRANGEMENTS</u>	51
<u>F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS</u>	51
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	52
<u>A. DIRECTORS AND SENIOR MANAGEMENT</u>	52
<u>B. COMPENSATION</u>	55
<u>C. BOARD PRACTICES</u>	55
<u>D. EMPLOYEES</u>	62
<u>E. SHARE OWNERSHIP</u>	63
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	64
<u>A. MAJOR SHAREHOLDERS</u>	64
<u>B. RELATED PARTY TRANSACTIONS</u>	64
<u>C. INTERESTS OF EXPERTS AND COUNSEL</u>	65
<u>ITEM 8. FINANCIAL INFORMATION</u>	65
<u>A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION</u>	65
<u>ITEM 9. THE OFFER AND LISTING</u>	67
<u>A. OFFER AND LISTING DETAILS</u>	67
<u>B. PLAN OF DISTRIBUTION</u>	67
<u>C. MARKETS</u>	67
<u>D. SELLING SHAREHOLDERS</u>	67
<u>E. DILUTION</u>	68
<u>F. EXPENSES OF THE ISSUE</u>	68
<u>ITEM 10. ADDITIONAL INFORMATION</u>	68
<u>A. SHARE CAPITAL</u>	68
<u>B. MEMORANDUM AND ARTICLES OF ASSOCIATION</u>	68
<u>C. MATERIAL CONTRACTS</u>	74
<u>D. EXCHANGE CONTROLS</u>	74
<u>E. TAXATION</u>	75

<u>F. DIVIDENDS AND PAYING AGENTS</u>	86
<u>G. STATEMENT BY EXPERTS</u>	86
<u>H. DOCUMENTS ON DISPLAY</u>	86
<u>I. SUBSIDIARY INFORMATION</u>	87
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	87
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	88
 <u>PART II</u>	 88
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	88
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	88
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	88

<u>ITEM 16. [RESERVED]</u>	88
<u>ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</u>	88
<u>ITEM 16B. CODE OF ETHICS</u>	89
<u>ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	89
<u>ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	89
<u>ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	89
<u>ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	90
<u>ITEM 16G. CORPORATE GOVERNANCE</u>	91
<u>ITEM 16H. MINE SAFETY DISCLOSURE</u>	92
 <u>PART III</u>	 93
<u>ITEM 17. FINANCIAL STATEMENTS</u>	93
<u>ITEM 18. FINANCIAL STATEMENTS</u>	93
<u>ITEM 19. EXHIBITS</u>	93

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

We have derived the following selected consolidated financial data for the years ended March 31, 2018, 2017 and 2016, and as of March 31, 2018 and March 31, 2017, from our audited consolidated financial statements set forth elsewhere in this 2018 Annual Report, which have been prepared in accordance with U.S. GAAP. We have derived the consolidated selected financial data for the years ended March 31, 2015 and 2014, from our audited consolidated financial statements not included in this Annual Report. You should read the selected consolidated financial data together with “Item 5—Operating and Financial Review and Prospects” and our consolidated financial statements, related notes and other financial information included elsewhere in this 2018 Annual Report.

Year Ended March 31,
2018 2017 2016 2015 2014
U.S. dollars and shares in
thousands (except per share
data)