# Independent Auditors' Report

**To the Members of Biocon Pharma Limited**

**Report on the Audit of the Financial Statements**

## Opinion

We have audited the financial statements of Biocon Pharma Limited ("the Company"), which comprise the balance sheet as at 31 March 2019, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements")

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and loss and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

## Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Information Other than the Financial Statements and Auditors' Report Thereon

The Company's Management and Board of Directors are responsible for the other information. The other information comprises the directors' report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Management's Responsibility for the Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management and Board of Directors are responsible for assessing the Company's ability to continue as a 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 Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   c) The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.

   d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.

   e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

   (B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   a) The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its financial statements - Refer Note 22 (ii) to the financial statements;

   b) The Company has made provision, as required under the applicable law or accounting standards, for the material foreseeable losses, if any, on long-term contracts including derivatives contracts - Refer note 20 to the financial statements;

   c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and

   d) The disclosures in the Financial Statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these Financial Statements since they do not pertain to the financial year ended 31 March 2019.

   (C) With respect to the matter to be included in the Auditors' Report under Section 197(16):

   In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

*for* **B S R & Co. LLP**
*Chartered Accountants*
Firm's Registration No.: 101248W/W-100022

**Sampad Guha Thakurta**
*Partner*
Membership No.: 060573

Bengaluru
25 April 2019

# Annexure A to the Independent Auditor's Report

With reference to the Annexure A referred to in the Independent Auditor's Report to the members of the Company on the financial statements for the year ended 31 March 2019, we report the following:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets, by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets were physically verified during the year and no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us by the Management and based on our audit procedures performed and, the records of the Company, the Company did not hold any immovable property during the year.

(ii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company did not hold any inventory during the year. Accordingly, the requirements under the paragraph 3(ii) of the Order are not applicable to the Company.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act'). Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of Section 185 and 186 of the Act are applicable. Accordingly, the provisions of clause 3(iv) of the Order are not applicable to the Company.

(v) According to information and explanations given to us, the Company has not accepted any deposits. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the services provided by the Company.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Income-tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Goods and Services tax, duty of Customs and Cess.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income-tax and other material statutory dues were in arrears as at 31 March 2019, for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Income-tax and cess which have not been deposited by the Company on account of any disputes.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the bank. The Company did not have any borrowings during the year from financial institution and government and by way of debentures.

(ix) According to the information and explanations given to us, the Company has not raised any money by way of public issue or further public offer (including debt instruments) during the year. The term loans raised by the Company have been applied for the purpose for which they were raised.

(x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, no managerial remuneration has been paid or is payable by the Company.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.

(xvi) According to the information and explanation given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act 1934.

*for* **B S R & Co. LLP**
*Chartered Accountants*
Firm's Registration No.: 101248W/W-100022

**Sampad Guha Thakurta**
*Partner*
Membership No.: 060573

Bengaluru
25 April 2019

# Annexure B to the Independent Auditor's Report on the financial statements of Biocon Pharma Limited for the year ended 31 March 2019

**Report on the Internal Financial Controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

**(Referred to in paragraph 1(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

## Opinion

We have audited the internal financial controls with reference to financial statements of Biocon Pharma Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

## Management's Responsibility for Internal Financial Controls

The Company's Management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

## Auditor's Responsibility

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

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

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

## Meaning of Internal Financial Controls with reference to financial statements

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

## Inherent Limitations of Internal Financial Controls with reference to financial statements

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

*for* **B S R & Co. LLP**
*Chartered Accountants*
Firm's Registration No.: 101248W/W-100022

**Sampad Guha Thakurta**
*Partner*
Membership No.: 060573

Bengaluru
25 April 2019

# Balance Sheet as at March 31, 2019

(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

| | Note | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| ASSETS | | | |
| **Non-current assets** | | | |
| Capital work-in-progress | 3 | 2,692.58 | 1,862.25 |
| Financial assets | | | |
| (i) Investments | 4 | 905.48 | 548.54 |
| (ii) Derivative assets | | 5.16 | 24.86 |
| (iii) Other financial assets | 5(a) | 0.10 | 0.10 |
| Income tax asset (net) | | 5.93 | 5.93 |
| Other non-current assets | 6(a) | 76.87 | 68.52 |
| **Total non-current assets** | | **3,686.12** | **2,510.20** |
| **Current assets** | | | |
| Financial assets | | | |
| (i) Cash and cash equivalents | 7 | 20.13 | - |
| (ii) Derivative assets | | 17.02 | 14.52 |
| (iii) Other financial assets | 5(b) | 0.14 | - |
| Other current assets | 6(b) | 85.97 | 3.49 |
| **Total current assets** | | **123.26** | **18.01** |
| **Total** | | **3,809.38** | **2,528.21** |
| EQUITY AND LIABILITIES | | | |
| **Equity** | | | |
| Equity share capital | 8 | 140.50 | 140.50 |
| Other equity | | 269.71 | (53.05) |
| **Total equity** | | **410.21** | **87.45** |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| (i) Borrowings | 9 | 1,976.49 | 2,075.58 |
| Provisions | 10(a) | 3.65 | 1.73 |
| **Total non-current liabilities** | | **1,980.14** | **2,077.31** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| (i) Trade payables | 11 | | |
| - Total outstanding dues of micro and small enterprises | | 2.14 | 5.24 |
| - Total outstanding dues of creditors other than micro and small enterprises | | 238.24 | 16.27 |
| (ii) Other financial liabilities | 12 | 1,057.85 | 335.25 |
| Provisions | 10(b) | 7.57 | 1.56 |
| Deferred tax liability | | 104.01 | - |
| Other current liabilities | 13 | 9.22 | 5.13 |
| **Total current liabilities** | | **1,419.03** | **363.45** |
| **Total** | | **3,809.38** | **2,528.21** |

The accompanying notes are an integral part of the financial statements.
As per our report of even date attached

*for* B S R & Co. LLP
*Chartered Accountants*
Firm Registration Number: 101248W/W-100022
Sampad Guha Thakurta
*Partner*
Membership No.: 060573

Bengaluru
April 25, 2019

*for* and on behalf of the Board of Directors of Biocon Pharma Limited

Kiran Mazumdar-Shaw
*Director*
DIN: 00347229

Arun Chandavarkar
*Director*
DIN: 01596180

Indranil Sen
*Chief Financial Officer*

Arjun Sunil Makhecha
*Company Secretary*

Bengaluru
April 25, 2019

# Statement of Profit and Loss for the year ended March 31, 2019

(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

| | Note | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|---|
| Income | | | |
| Other income | 14 | 5.06 | 1.04 |
| **Total income** | | **5.06** | **1.04** |
| Expenses | | | |
| Employee benefits expense | 15 | 89.12 | 36.66 |
| Other expenses | 16 | 629.72 | 52.80 |
| **Total expenses** | | **718.84** | **89.46** |
| **Loss for the year** | | **(713.78)** | **(88.42)** |
| **Tax expense** | 18 | | |
| Current tax | | - | - |
| Deferred tax | | (232.74) | - |
| **Total tax expense** | | **(232.74)** | **-** |
| **Loss for the year** | | (481.04) | (88.42) |
| **Other comprehensive income / (expense)** | | | |
| **(i) Items that will be reclassified subsequently to profit or loss** | | | |
| Re-measurement on defined benefit plans | | 1.31 | - |
| Effective portion of gains on hedging instrument in cash flow hedges | | (17.20) | 17.33 |
| Income tax effect | | - | 7.63 |
| **Other comprehensive income / (expense) for the period, net of taxes** | | **(15.89)** | **24.96** |
| **Total comprehensive income / (expense) for the period, net of taxes** | | **(496.93)** | **(63.46)** |
| **Earnings / (Loss) per equity share** | | | |
| Basic and Diluted (in ₹) | 23 | (34.24) | (6.65) |

The accompanying notes are an integral part of the financial statements.
As per our report of even date attached

*for* B S R & Co. LLP
*Chartered Accountants*
Firm Registration Number: 101248W/W-100022
Sampad Guha Thakurta
*Partner*
Membership No.: 060573

Bengaluru
April 25, 2019

*for* and on behalf of the Board of Directors of Biocon Pharma Limited

Kiran Mazumdar-Shaw
*Director*
DIN: 00347229

Arun Chandavarkar
*Director*
DIN: 01596180

Indranil Sen
*Chief Financial Officer*

Arjun Sunil Makhecha
*Company Secretary*

Bengaluru
April 25, 2019

# Statement of Changes in Equity for the year ended March 31, 2019

(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

| A. Equity share capital | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Opening balance | 140.50 | 120.50 |
| Issue of equity share capital | - | 20.00 |
| **Closing balance** | **140.50** | **140.50** |

B. Other equity

| Particulars | Equity component of compound financial instrument | Retained earnings | Cash flow hedging reserve | Other items of other comprehensive income | Total other equity |
|---|---|---|---|---|---|
| **Balance as at April 01, 2017** | **-** | **(18.01)** | **28.42** | **-** | **10.41** |
| Loss for the year | - | (88.42) | - | | (88.42) |
| Other comprehensive income | | - | 24.96 | - | 24.96 |
| **Total comprehensive income / (expense) for the year** | - | (88.42) | 24.96 | - | (63.46) |
| **Balance as at March 31, 2018** | **-** | **(106.43)** | **53.38** | **-** | **(53.05)** |
| Loss for the year | - | (481.04) | - | - | (481.04) |
| Other comprehensive income / (loss) | - | - | (17.20) | 1.31 | (15.89) |
| Issue of share capital (Net of Deferred Tax) | 819.69 | - | - | - | 819.69 |
| **Total comprehensive income / (expense) for the year** | 819.69 | (481.04) | (17.20) | 1.31 | 322.76 |
| **Balance as at March 31, 2019** | **819.69** | **(587.47)** | **36.18** | **1.31** | **269.71** |

The accompanying notes are an integral part of the financial statements.
As per our report of even date attached

*for* B S R & Co. LLP
*Chartered Accountants*
Firm Registration Number: 101248W/W-100022
Sampad Guha Thakurta
*Partner*
Membership No.: 060573

Bengaluru
April 25, 2019

*for* and on behalf of the Board of Directors of Biocon Pharma Limited

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*Director*
DIN: 01596180

Indranil Sen
*Chief Financial Officer*

Arjun Sunil Makhecha
*Company Secretary*

Bengaluru
April 25, 2019

# Statement of Cash Flows for the year ended March 31, 2019

(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

| | | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|---|
| I | **Cash flows from operating activities** | | |
| | loss for the year | (481.04) | (88.42) |
| | **Adjustments to reconcile loss for the year to net cash flows** | | |
| | Unrealised foreign exchange gain | 86.69 | 3.58 |
| | Deferred Tax | (232.74) | - |
| | Operating loss before working capital changes | **(627.09)** | **(84.84)** |
| | **Movements in working capital** | | |
| | Increase In Other Assets | (82.58) | (8.77) |
| | Increase in trade payable, other liabilities and provisions | 224.99 | 40.56 |
| | **Cash generated from operations** | **(484.68)** | **(53.05)** |
| | Direct taxes paid (net of refunds) | - | (4.06) |
| | **Net cash used in operating activities** | **(484.68)** | **(57.11)** |
| II | **Cash flows from investing activities** | | |
| | Purchase of tangible assets | (462.72) | (687.03) |
| | Investment in subsidiary | (356.94) | (454.84) |
| | **Net cash flow from/ (used in) investing activities** | **(819.66)** | **(1,141.87)** |
| III | **Cash flows from financing activities** | | |
| | Proceeds from issue of equity shares | - | 20.00 |
| | Proceeds from issue of convertible redeemable non cumulative preference shares | 685.00 | - |
| | Repayment of long term borrowings | (85.00) | - |
| | Proceeds from long-term borrowings | 770.00 | 774.00 |
| | Interest paid | (45.53) | (41.70) |
| | **Net cash flow from/ (used in) financing activities** | **1,324.47** | **752.30** |
| IV | **Net increase / (decrease) in cash and cash equivalents (I + II + III)** | 20.13 | (446.68) |
| V | **Effect of exchange differences on cash and cash equivalents held in foreign currency** | - | (2.07) |
| VI | **Cash and cash equivalents at the beginning of the year** | - | 448.75 |
| VII | **Cash and cash equivalents at the end of the year (IV + V + VI)** | **20.13** | **-** |
| | **Reconciliation of cash and cash equivalents as per statement of cash flow** | | |
| | **Cash and cash equivalents (Note 7)** | | |
| | Balances With Banks - On Current Accounts | 20.13 | - |
| | | **20.13** | **-** |
| | **Balance as per statement of cash flows** | **20.13** | **-** |

**Reconciliation between opening and closing balance sheet for liabilities arising from financing activities**

| | Opening balance April 1, 2018 | Cash flows | Non-cash movement | Closing balance March 31, 2019 |
|---|---|---|---|---|
| Borrowings (including current maturities) | 2,075.58 | 951.51 | (579.19) | 2,447.90 |
| Interest accured but not due | 9.56 | - | (0.53) | 9.03 |
| | **2,085.14** | **951.51** | **(579.72)** | **2,456.93** |

The accompanying notes are an integral part of the financial statements.
As per our report of even date attached

*for* B S R & Co. LLP
*Chartered Accountants*
Firm Registration Number: 101248W/W-100022
Sampad Guha Thakurta
*Partner*
Membership No.: 060573

Bengaluru
April 25, 2019

*for* and on behalf of the Board of Directors of Biocon Pharma Limited

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*Director*
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DIN: 01596180

Indranil Sen
*Chief Financial Officer*

Arjun Sunil Makhecha
*Company Secretary*

Bengaluru
April 25, 2019

# Notes to the financial statements for the year ended March 31, 2019

(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

## 1. Company Overview

### 1.1 Reporting entity

Biocon Pharma Limited ("the Company") was incorporated in India on October 31, 2014, as a wholly owned subsidiary of Biocon Limited. The Company is a public limited company incorporated and domiciled in India and has its registered office in Bengaluru, Karnataka. The Company is in the process of setting up its formulations manufacturing facility for oral solid dosages at Biocon SEZ, Bengaluru. As at March 31, 2019 the Company has not commenced its business operations.

### 1.2 Basis of preparation of financial statements

**a) Statement of compliance**

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

These financial statements have been prepared for the Company as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date, March 31, 2019. These financial statements were authorised for issuance by the Company's Board of Directors on April 25, 2019.

Details of the Company's accounting policies are included in Note 2.

**b) Functional and presentation currency**

These financial statements are presented in Indian rupees (INR), which is also the functional currency of the Company. All amounts have been rounded-off to the nearest million, unless otherwise indicated.

**c) Basis of measurement**

These financial statements have been prepared on the historical cost basis, except for the following items:

- Certain financial assets and liabilities are measured at fair value; and
- Net defined benefit assets/(liability) are measured at fair value of plan assets, less present value of defined benefit obligations;

**d) Use of estimates and judgements**

The preparation of the financial statements in conformity with Ind AS requires Management to make estimates, judgements and assumptions. These estimates, judgements and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

**Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 1.2(b) — Assessment of functional currency;
- Note 2(a) and 20 — Financial instruments;
- Note 2(f) and 18 — Provision for income taxes and related tax contingencies and Evaluation of recoverability of deferred tax assets.

### 1.3 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the year ended March 31, 2019 is included in the following notes:

— Note 18 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;

— Note 19 – measurement of defined benefit obligation; key actuarial assumptions;

— Note 10 and 22 – recognition and measurement of provisions, contingencies and commitments: key assumptions about the likelihood and magnitude of an outflow of resources;

### 1.4 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 2(a) and 20 – financial instruments.

## 2. Significant accounting policies

### a. Financial instruments

#### i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

#### ii. Classification and subsequent measurement

*Financial assets*

On initial recognition, a financial asset is classified as measured at

- Amortised cost;
- Fair value through other comprehensive income (FVOCI) – debt investment;
- Fair value through other comprehensive income (FVOCI) – equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment- by- investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit and loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to statement of profit and loss. |

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit and loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit and loss. Any gain or loss on derecognition is also recognised in statement of profit and loss.

**iii. Derecognition**

*Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

*Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in statement of profit and loss.

**iv. Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**v. Convertible Preference shares**

Convertible preference shares are separated into liability and equity components based on the terms of the contract. On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity since conversion option meets Ind AS 32 criteria for fixed to fixed classification. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

**vi. Derivative financial instruments and hedge accounting**

The Company holds derivative financial instruments to hedge interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in statement of profit and loss.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

*Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in other equity under 'effective portion of cash flow hedges'. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in statement of profit and loss.

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to statement of profit and loss.

**vii. Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

**b. Property, plant and equipment**

**i. Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment including self-constructed items, comprises the cost of materials and direct labor, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in statement of profit and loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

**c. Impairment**

**i. Impairment of financial assets**

In accordance with Ind AS 109, the Company applies expected credit loss ("ECL") model for measurement and recognition of impairment loss on following:

— financial assets measured at amortised cost; and

— financial assets measured at FVOCI

Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime expected credit losses. For all other financial assets, ECL are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL.

Loss allowance for financial assets measured at amortised cost are deducted from gross carrying amount of the assets.

**ii. Impairment of non-financial assets**

The Company assess at each reporting date whether there is any indication that the carrying amount may not be recoverable. If any such indication exists, then the asset's recoverable amount is estimated and an impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount in the statement of profit and loss.

The Company's non-financial assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets of the CGU (or groups of CGUs) on a pro rata basis.

An impairment loss in respect of assets which has been recognised in prior periods, the Company reviews at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**d. Employee benefits**

**i. Gratuity**

The Company provides for gratuity, a defined benefit plan ("the Gratuity Plan") covering the eligible employees of the Company. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of the employment with the Company.

Liability with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method.

The Company recognises the net obligation of a defined benefit plan as a liability in its balance sheet. Gains or losses through re-measurement of the net defined benefit liability are recognised in other comprehensive income and are not reclassified to profit and loss in the subsequent periods. The actual yields computed by applying the discount rate used to measure the defined benefit obligation is recognised in other comprehensive income. The effect of any plan amendments are recognised in the statement of profit and loss.

**ii. Provident Fund**

Eligible employees of the Company receive benefits from provident fund, which is a defined contribution plan. Both the eligible employees and the Company make monthly contributions to the Government administered provident fund scheme equal to a specified percentage of the eligible employee's salary. Amounts collected under the provident fund plan are deposited with in a government administered provident fund. The Company has no further obligation to the plan beyond its monthly contributions.

**iii. Compensated absences**

The Company has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each balance sheet date using the projected unit credit method on the additional amount expected to be paid/availed as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognised is the period in which the absences occur.

**e. Provisions (other than for employee benefits)**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

*Onerous contracts*

A contract is considered to be onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognises any impairment loss on the assets associated with that contract.

**f. Income taxes**

Income tax comprises current and deferred income tax. Income tax expense is recognised in statement of profit and loss except to the extent that it relates to an item recognised directly in equity in which case it is recognised in other comprehensive income. Current income tax for current year and prior periods is recognised at the amount expected to be paid or recovered from the tax authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when:

— taxable temporary differences arising on the initial recognition of goodwill;

— temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of transaction;

— temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or substantive enactment date. A deferred income tax assets is recognised to the extent it is probable that future taxable income will be available against which the deductible temporary timing differences and tax losses can be utilised. The Company offsets income-tax assets and liabilities, where it has a legally enforceable right to set off the recognised amounts and where it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**g. Borrowing cost**

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset.

**h. Earnings per share**

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the period adjusted for treasury shares held. Diluted earnings per share is computed using the weighted-average number of equity and dilutive equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be anti-dilutive.

i. **Recent Indian Accounting Standards (Ind AS)**

Ind AS 116 – Leases

In March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) Amendment Rules, 2019, notifying Ind AS 116 'Leases' (New Revenue Standard), which replaces Ind AS 17 'Leases', including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after April 01, 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under Ind AS 116 is substantially unchanged from today's accounting under Ind AS 17. Lessors will continue to classify all leases using the same classification principle as in Ind AS 17 and distinguish between two types of leases: operating and finance leases.

The Company will adopt the standard, effective from April 01, 2019. The Company is in the process of evaluating the impact of the new standards in its financial statements.

Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments

On March 30, 2019 , the Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax credits and tax rates, when there is uncertainty over Income Tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatments, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (or loss), tax base, unused tax losses, unused tax credits and tax rates.

The standard permits two possible method of transition – i) Full retrospective approach- Under this approach, Appendix C will be applied retrospectively to each reporting period presented in accordance with Ind AS 8 – Accounting policies, Changes in Accounting Estimates and Errors, without using hindsight and ii) Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual period beginning on or after April 01, 2019. The Company is in the process of evaluating the impact of the new standards and decide the approach once the said evaluation has been completed. The effect of adoption of Ind AS 12 Appendix C would be insignificant in the financial statements.

Amendments to Ind AS 12- Income taxes

On March 30, 2019 , the Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes.

The amendment clarified that an entity shall recognize the income tax consequences of dividend in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after April 01, 2019. The Company is currently evaluating the effect of this amendment on the consolidated financial statements.

Amendment to Ind AS 19- plan amendment, curtailment or settlement

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendment require an entity:

— To use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and

— To recognize in profit or loss as part of past of service cost, or a gain or loss on settlement, any reduction in a surplus, even is that surplus was not previously recognized because of the impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after April 01, 2019. The Company does not have any impact on account of this amendment.

Ind AS 109 – Prepayment Features with Negative Compensation

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Company does not expect any impact from this amendment.

Ind AS 23 – Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The adoption of this standard is not expected to have a material impact on its financial statements.

| | Amount [Refer note (a)] |
|---|---|
| **3. Capital work-in-progress** | |
| **Gross carrying amount** | |
| **At April 01, 2017** | 1,129.92 |
| Additions | 732.33 |
| **At March 31, 2018** | **1,862.25** |
| Additions | 830.33 |
| **At March 31, 2019** | **2,692.58** |

(a) Capital work-in-progress comprise of the new manufacturing unit being set up in India. Also refer note 9 (a).
(b) Borrowing costs capitalized during the year amounted to ₹ 123.45 (March 31, 2018 - ₹ 51.15).

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **4. Non-current investments** | | |
| **I. Unquoted equity instrument** | | |
| In subsidiary company at cost: | | |
| 140,000 (March 31, 2018 - 140,000) Equity shares of USD 10 each in Biocon Pharma Inc. | 93.70 | 93.70 |
| | **93.70** | **93.70** |
| **II. Unquoted preference instrument** | | |
| In subsidiary company at cost: | | |
| 700,000 (March 31, 2018 - 200,000) Preference shares of USD 10 each in Biocon Pharma Inc. | 454.78 | 129.39 |
| **III. Preference share application money pending allotment** | 357.00 | 325.45 |
| **Total non-current investments** | **905.48** | **548.54** |
| Aggregate value of unquoted investments | 905.48 | 548.54 |
| Aggregate provision for diminution in value of Investments | - | - |

(a) During the year ended March 31, 2016 Biocon Pharma Inc. was incorporated as wholly owned subsidiary in United States of America to engage in the commercialisation of genric formulations.

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **5. Other non-current financial assets** | | |
| **(a) Non-current** | | |
| Deposits | 0.10 | 0.10 |
| | **0.10** | **0.10** |
| **(b) Current** | | |
| Other receivables from: | | |
| Others | 0.14 | - |
| | **0.14** | **-** |
| **6. Other assets** | | |
| **(a) Non-current** | | |
| Capital advances | 12.50 | 3.51 |
| Balances with statutory / government authorities | 64.37 | 65.01 |
| | **76.87** | **68.52** |
| **(b) Current** | | |
| Advance to suppliers | 85.97 | 3.49 |
| | **85.97** | **3.49** |
| **7. Cash and cash equivalents** | | |
| **Cash and cash equivalents** | | |
| Balances with banks: | | |
| On current accounts | 20.13 | - |
| **Total cash and cash equivalents** | **20.13** | **-** |

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **8(a). Share capital** | | |
| **Authorised** | | |
| **Equity share capital** | | |
| 20,000,000 (March 31, 2018 - 20,000,000) equity shares of ₹ 10 each (March 31, 2018 - ₹ 10 each) | 200.00 | 200.00 |
| Optionally convertible redeemable non cumulative preference shares (OCRPS) | | |
| 320,000,000 (March 31, 2018 - Nil) OCRPS of ₹ 10 each | 3,200.00 | - |
| **Issued, subscribed and fully paid-up** | | |
| **Equity share capital** | | |
| 14,050,000 (March 31, 2018 - 14,050,000) equity shares of ₹ 10 each (March 31, 2018 - ₹ 10 each) | 140.50 | 140.50 |
| OCRPS | | |
| 189,290,547 (March 31, 2018 - Nil) OCRPS of ₹ 10 each [refer note 9] | 1,892.91 | - |

**(i) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

| (a) Equity shares | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | No. | ₹ Million | No. | ₹ Million |
| At the beginning of the year | 14,050,000 | 140.50 | 12,050,000 | 120.50 |
| Issued during the year | - | - | 2,000,000 | 20.00 |
| Outstanding at the end of the year | **14,050,000** | **140.50** | **14,050,000** | **140.50** |

| (b) OCRPS | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | No. | ₹ Million | No. | ₹ Million |
| At the beginning of the year | - | - | - | - |
| Issued during the year | 189,290,547 | 1,892.91 | - | - |
| **Outstanding at the end of the year** | **189,290,547** | **1,892.91** | **-** | **-** |

**(ii) Terms/ rights attached**

**(a) Terms/ rights attached of equity shares**

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

**(b) Terms of conversion/redemption of preference shares**

(i) The Company has only one class of preference shares having a par value of ₹ 10 per share. The holders of the preference shares will be entitled to receive the dividend and repayment in the case of winding up or repayment of capital shall be ranked lower than sundry creditors but higher than equity shareholders and shall have priority of payment of capital over the equity shareholders.

(ii) The preference shareholders carry voting right as per the provision of Section 47 (2) of the Companies act 2013.

(iii) The preference shareholders are entitled to redeem from the end of the 7th (seventh) year till the end of 9th (nineth) year at the option of Company. If the Company exercise such option of early redemption, the OCRPS shall be redeemable at its face value.

(iv) Dividend payable to preference shareholders shall be non cumulative in nature and payable only if the Company earns a post tax profit of ₹ 50 or more in respective Financial Year.

**(iii) Details of shareholders holding more than 5% of each class of shares in the Company:**

| | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | No. | % holding | No. | % holding |
| **Equity shares of ₹ 10 each fully paid** | | | | |
| Biocon Limited, the Holding Company (including shares held through nominees) | 14,050,000 | 100% | 14,050,000 | 100% |
| **OCRPS of ₹ 10 each fully paid** | | | | |
| Biocon Limited, the Holding Company | 189,290,547 | 100% | - | - |

As per records of the Company, including its register of shareholders/ members, the above shareholding represents both legal and beneficial ownerships of shares.

## 8(b). Other equity

**Retained earnings**

The amount are represents the accumulated losses of the Company from inception till March 31, 2019.

**Cash flow hedging reserve**

The cash flow hedging reserve represents the cumulative effective portion of gains or losses (net of taxes, if any)arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges.

**Equity component of compound financial instrument**

The component parts of compound financial instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Financial liabilities are recognised initially at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **9. Long-term borrowings** | | |
| **Loans from banks (Secured)** | | |
| Term loan [refer note (a) below] | 1,386.50 | 1,301.58 |
| **Other loans and advances (Unsecured)** | | |
| Loan from holding company [refer note 17] | 293.00 | 774.00 |
| Liability component of OCRPS [refer 8 (a)(ii)(b)] | 768.40 | - |
| | 2,447.90 | 2,075.58 |
| Less: Amount disclosed under the head “other current financial liabilities” [refer note 12] | (471.41) | - |
| | **1,976.49** | **2,075.58** |
| **The above amount includes** | | |
| Secured borrowings | 1,386.50 | 1,301.58 |
| Unsecured borrowings | 1,061.40 | 774.00 |
| Amount disclosed under the head “other current financial liabilities” [refer note 12] | (471.41) | - |
| **Net amount** | **1,976.49** | **2,075.58** |

(a) On February 24, 2016, the Company obtained an external commercial borrowing of USD 20 million from a bank, carrying interest @ Libor + 1.75% per annum. The loan is payable in 11 unequal quarterly instalments commencing from June 28, 2019. The loan is secured by first priority pari passu charge on the plant and machinery of the facility for the manufacture of pharmaceuticals. Further, the loan has been guaranteed by Biocon Limited, the Holding Company. The Company has entered into an interest rate swap converting the floating rate to fixed rate of interest. [refer note 20]

(b) The Company’s exposure to liquidity, interest rate and currency risks are disclosed in note 20.

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **10. Provisions** | | |
| **(a) Non-current** | | |
| Provision for employee benefits | | |
| Gratuity [refer note 19] | 3.65 | 1.73 |
| | **3.65** | **1.73** |
| **(b) Current** | | |
| Provision for employee benefits | | |
| Gratuity [refer note 19] | 0.25 | 0.12 |
| Compensated absences | 7.32 | 1.44 |
| | **7.57** | **1.56** |
| **(i) Movement in provisions** | Gratuity | Compensated absences |
| Balance as at March 31, 2018 | 1.85 | 1.44 |
| Provision recognised during the year | 2.05 | 5.88 |
| Balance as at March 31, 2019 | **3.90** | **7.32** |
| **11. Trade payables** | | |
| Trade payables | | |
| Total outstanding dues of micro and small enterprises [refer note 12(a)] | 2.14 | 5.24 |
| Total outstanding dues of creditors other than micro and small enterprises | 238.24 | 16.27 |
| | **240.38** | **21.51** |

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **12. Other current financial liabilities** | | |
| Current maturities of long-term borrowings [refer note 9] | 471.41 | - |
| Payables for capital goods | 577.41 | 311.51 |
| Interest accrued but not due | 9.03 | 9.56 |
| Book overdraft | - | 14.18 |
| | **1,057.85** | **335.25** |
| (a) Disclosure required under Clause 22 of Micro, Small and Medium Enterprise Development Act, 2006 | | |
| (i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each year | | |
| Principal amount due to micro and small enterprises | 2.14 | 5.24 |
| Interest due on the above | 0.04 | 0.23 |
| (ii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year | 14.53 | 52.45 |
| (iii) The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond appointed day during the year) but without adding the interest specified under the MSMED Act, 2006 | 0.19 | 0.86 |
| (iv) Interest due and payable for the period of delay in making payment during the year | - | - |
| (v) The amount of interest accrued and remaining un-paid at the end of each accounting year | - | - |
| (vi)The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act, 2006 | 1.31 | 1.08 |
| The above disclosures are provided by the Company based on the information available with the Company in respect of the registration status of its vendors/ suppliers. | | |
| **13. Other current liabilities** | | |
| Statutory taxes payable | 9.22 | 5.13 |
| | **9.22** | **5.13** |

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| | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| **14. Other income** | | |
| Foreign exchange gain (net) | 5.06 | 1.04 |
| | **5.06** | **1.04** |
| **15. Employee benefits expense** | | |
| Salaries, wages and bonus | 72.73 | 33.60 |
| Contribution to provident and other funds | 4.61 | 1.51 |
| Gratuity | 0.86 | - |
| Employee stock compensation expense [refer note 24] | 6.97 | 1.54 |
| Staff welfare expenses | 3.95 | 0.01 |
| | **89.12** | **36.66** |
| **16. Other expenses** | | |
| Rent | 3.52 | - |
| Travelling and conveyance | 0.54 | - |
| Professional charges [refer note (a) below] | 0.81 | 5.75 |
| Rates, taxes and fees | 22.45 | 0.02 |
| Lab consumables | 70.53 | - |
| Printing and stationery | 0.33 | 0.18 |
| Research and development expenses | 531.44 | 46.83 |
| Miscellaneous expenses | 0.10 | 0.02 |
| | **629.72** | **52.80** |
| **(a) Payments to auditors:** | | |
| Statutory audit fee | 0.15 | 0.15 |
| In other capacity: | | |
| Other services (certification fees) | 0.09 | 0.09 |
| Reimbursement of out-of-pocket expenses | 0.02 | 0.02 |
| | **0.26** | **0.26** |

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## 17. Related Party Disclosures:

The following table provides the value of transactions that have been entered into with related parties for the relevant financial year:

| Sl No | Name of related party | Relationship | Description | For the year ended March 31, 2019 Expenses / (Income) / Other Transaction | March 31, 2019 Payables/ (Receivables) | For the year ended March 31, 2018 Expenses / (Income) / Other Transaction | March 31, 2018 Payables/ (Receivables) |
|---|---|---|---|---|---|---|---|
| 1 | Biocon Limited | Holding Company | Issue of equity shares | - | - | 20.00 | - |
| | | | Issue of preference shares | 1,892.91 | - | - | - |
| | | | Cross charges towards other expenses | 144.16 | - | 88.96 | - |
| | | | Other payables | - | 469.71 | - | 59.89 |
| | | | Loan from Holding Company [refer note (a)] | 481.05 | 293.00 | (774.00) | 774.00 |
| | | | Power and facility charges | 124.32 | | 97.53 | |
| | | | Purchase of goods | 141.27 | - | 65.61 | - |
| | | | Sale of goods | (7.33) | | | |
| | | | Rent [including capitalised] | 6.20 | - | 2.51 | - |
| | | | Interest on Long Term Borrowing | 78.54 | - | 10.15 | - |
| | | | Guarantee given by related party to a bank on behalf of the company | - | 1,386.50 | - | 1,301.58 |
| | | | Share based payments | 8.84 | - | 1.54 | - |
| 2 | Biocon Pharma Inc. | Subsidiary | Investment in preference shares | 357.00 | - | 454.84 | - |
| 3 | Syngene International Limited | Fellow subsidiary | Purchase of services | 81.21 | - | - | - |
| | | | Trade payable | - | 81.21 | - | - |

(a) The Company has entered into service agreement with Biocon SEZ Developer and Biocon SEZ operating units of Biocon Limited for availing Land on lease and certain other facilities and services.

(b) Fellow subsidiaries/subsidiaries companies with whom the Company did not have any transactions:

(i) Biocon Academy, a subsidiary of Biocon Limited
(ii) Biocon Research Limited, a subsidiary of Biocon Limited
(iii) NeoBiocon FZ LLC, a Joint Venture of Biocon Limited
(iv) Biocon SA, a subsidiary of Biocon Limited
(v) Biocon SDN BHD, a subsidiary of Biocon Biologics Limited
(vi) Biocon Biologics Limited, a subsidiary of Biocon Limited
(vii) Biocon FZ LLC, a subsidiary of Biocon Limited
(viii) Biocon Biologics India Limited, a subsidiary of Biocon Limited
(ix) Biocon Healthcare Sdn Bhd, a subsidiary of Biocon Limited
(x) Syngene USA Inc., a subsidiary of Syngene International Limited
(xi) Bicara Therapeutics Inc, USA, a subsidiary of the Company
(xii) Biocon Pharma Ireland Limited, a subsidiary of the Company
(xiii) Biocon Pharma UK Limited, a a subsidiary of the Company

(c) The Company had obtained an unsecured loan facility upto ₹ 2,350 from Biocon Limited at prevailing market rate of interest for a period of two year to set up its manufacturing facility. The maximum amount of loan outstanding during the year was ₹ 1,175 (March 31, 2018 ₹ 774).

(d) On February 24, 2016, the Company obtained an external commercial borrowing of USD 20 million from a bank, carrying interest @ Libor + 1.75% per annum which has been guaranteed by Biocon Limited, the holding company. (March 31, 2019 ₹ 1,386.50, March 31, 2018 ₹ 1,301.58).

(e) All transactions with these related parties are priced on an arm's length basis and none of the balances are secured.

(f) The above disclosures include related parties as per Ind AS 24 on "Related Party Disclosures" and Companies Act, 2013.

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **18. Tax expense** | | |
| **(a) Amount recognised in Statement of profit and loss** | | |
| **Current tax** | - | - |
| Deferred tax expense / (income) related to: | | |
| Origination and reversal of temporary differences | (232.74) | - |
| **Tax expense for the year** | **(232.74)** | **-** |
| In March 2018, a new corporate tax rate was enacted where in the corporate tax rate effective from April 1, 2018 was reduced from 34.61% to 29.12%. | | |
| **(b) Reconciliation of effective tax rate** | | |
| Accounting loss before tax | (481.04) | (88.42) |
| Tax at statutory income tax rate 29.12% (March 31, 2018- 34.61%) | - | - |
| Tax effect on interest of convertible preference shares | (9.38) | - |
| Tax effect on losses available for offsetting against future taxable differences | (223.36) | - |
| **Income tax expense** | **(232.74)** | **-** |

**(c) Recognized deferred tax assets and liabilities**

| For the year ended March 31, 2019 | Opening Balance | Adjusted with equity | Recognized in profit or loss | Recognized in OCI | Closing Balance |
|---|---|---|---|---|---|
| **Deferred tax liability** | | | | | |
| Convertible preference shares [refer note (a) below] | - | 336.75 | (9.38) | - | 327.37 |
| Derivative assets | 5.68 | - | - | - | 5.68 |
| **Gross deferred tax liability** | **5.68** | **336.75** | **(9.38)** | **-** | **333.05** |
| **Deferred tax assets** | | | | | |
| Losses available for offsetting against future taxable differences (refer note (b) below | - | - | 223.36 | - | 223.36 |
| Derivative liability | 5.68 | - | - | - | 5.68 |
| **Gross deferred tax assets** | **5.68** | **-** | **223.36** | **-** | **229.04** |
| **Net deferred tax liability** | **-** | **(336.75)** | **232.74** | **-** | **(104.01)** |

| For the year ended March 31, 2018 | Opening Balance | Adjusted with equity | Recognized in profit or loss | Recognized in OCI | Closing Balance |
|---|---|---|---|---|---|
| **Deferred tax liability** | | | | | |
| Derivative assets | 13.31 | - | - | (7.63) | 5.68 |
| **Gross deferred tax liability** | **13.31** | **-** | **-** | **(7.63)** | **5.68** |
| **Deferred tax assets** | | | | | |
| Derivative liability | 5.68 | - | - | - | 5.68 |
| **Gross deferred tax assets** | **5.68** | **-** | **-** | **-** | **5.68** |
| **Net deferred tax liability** | **(7.63)** | **-** | **-** | **7.63** | **-** |

(a)Deferred tax liability on convertible preference shares adjusted with equity component of OCRPS.

(b) The Company has unused tax losses of ₹ 767.01 that are available for carry forward and set off against future taxable profits. Deferred tax assets on these losses have been recognised only to the extent they are available for set off against future profits including available taxable temporary differences.

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## 19. Employee benefit plans

(i) The Company has a defined benefit gratuity plan as per the Payment of Gratuity Act, 1972. Under the act, employees who has completed five years of service is entitled to specific benefit. The level of benefit provided depends on the employee's length of service and salary at retirement/ termination age. The gratuity plan is unfunded.

Based on the actuarial valuantion obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

| | Defined benefit obligation | Fair value of plan assets | Net defined benefit (asset)/liability |
|---|---|---|---|
| **Balance as on April 01, 2018** | **1.85** | **-** | **1.85** |
| Current service cost | 0.73 | - | 0.73 |
| Interest expense / (income) | 0.13 | - | 0.13 |
| **Amount recognised in Statement of profit and loss** | **0.86** | **-** | **0.86** |
| **Remeasurements:** | | | |
| Return on plan assets, excluding amounts included in interest expense / (income) | - | - | - |
| Actuarial (gain) / loss arising from: | | | |
| Financial assumptions | 0.06 | - | 0.06 |
| Experience adjustment | 1.25 | - | 1.25 |
| **Amount recognised in other comprehensive income** | **1.31** | **-** | **1.31** |
| Employers contribution | - | - | - |
| Benefits paid | (0.12) | - | (0.12) |
| **Balance as at March 31, 2019** | **3.90** | **-** | **3.90** |

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Non-current | 3.65 | 1.73 |
| Current | 0.25 | 0.12 |
| | **3.90** | **1.85** |

(ii) **The assumptions used for gratuity valuation are as below:**

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Interest rate | 6.96% | 7.18% |
| Discount rate | 6.96% | 7.18% |
| Expected return on plan assets | NA | NA |
| Salary increase | 9% | 9% |
| Attrition rate | 14% - 30% | 14% - 30% |
| Retirement age - Years | 58 | 58 |

Assumptions regarding future mortality experience are set in accordance with published statistics and mortality tables.

(iii) **Sensitivity analysis**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are as below:

| | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | (0.25) | 0.29 | (0.18) | 0.13 |
| Salary increase (1% movement) | 0.28 | (0.25) | 0.13 | (0.12) |
| Attrition rate (1% movement) | (0.10) | 0.11 | (0.04) | 0.05 |

Sensitivity of significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of defined benefit obligation by one percentage, keeping all other actuarial assumptions constant. Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

**Maturity profile of defined benefit obligation**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| 1st Following year | 0.25 | 0.12 |
| 2nd Following year | 0.28 | 0.16 |
| 3rd Following year | 0.30 | 0.17 |
| 4th Following year | 0.44 | 0.18 |
| 5th Following year | 0.46 | 0.22 |
| Years 6 to 10 | 2.03 | 0.94 |
| Years 11 and above | 3.25 | 1.60 |

## 20. Financial intruments: Fair value and risk managements

**A. Accounting classification and fair values**

| March 31, 2019 | Carrying amount | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| | FVTPL | FVTOCI | Amotised Cost | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | | | | |
| Derivative assets | - | 22.18 | - | 22.18 | - | 22.18 | - | 22.18 |
| Cash and cash equivalents | - | - | 20.13 | 20.13 | - | - | - | - |
| Other financial assets | - | | 0.24 | 0.24 | - | - | - | - |
| | **-** | **22.18** | **20.37** | **42.55** | **-** | **22.18** | **-** | **22.18** |
| **Financial liabilities** | | | | | | | | |
| Liability component of OCRPS | - | - | 768.40 | 768.40 | - | - | - | - |
| Long term borrowings | - | - | 1,208.09 | 1,208.09 | - | - | - | - |
| Trade payables | - | - | 240.37 | 240.37 | - | - | - | - |
| Other current financial liabilities | - | - | 1,057.85 | 1,057.85 | - | - | - | - |
| | **-** | **-** | **3,274.71** | **3,274.71** | **-** | **-** | **-** | **-** |

| March 31, 2018 | FVTPL | FVTOCI | Amotised Cost | Total | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | |
| Derivative assets | - | 39.38 | - | 39.38 | - | 39.38 | - | 39.38 |
| Cash and cash equivalents | - | - | - | - | - | - | - | - |
| Other financial asset | - | - | 0.10 | 0.10 | - | - | - | - |
| | **-** | **39.38** | **0.10** | **39.48** | **-** | **39.38** | **-** | **39.38** |
| **Financial liabilities** | | | | | | | | |
| Liability component of OCRPS | - | - | - | - | - | - | - | - |
| Long term borrowings | - | - | 2,075.58 | 2,075.58 | - | - | - | - |
| Trade payables | - | - | 21.51 | 21.51 | - | - | - | - |
| Other current financial liabilities | - | - | 335.25 | 335.25 | - | - | - | - |
| | **-** | **-** | **2,432.34** | **2,432.34** | **-** | **-** | **-** | **-** |

**Level 1:** Includes financial instruments measured using quoted prices. This includes listed equity instruments, traded bonds and mutual funds that have quoted prices. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges is valued using the closing price as at the reporting period. The mutual funds are valued using the closing NAV.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

**B. Measurement of fair values**

Derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the market place.

**Sensitivity analysis**

For the fair values of forward contracts of foreign currencies, reasonably possible changes at the reporting date to one of the significant observable inputs, holding other inputs constant, would have the following effects.

| Significant observable inputs | March 31, 2019 Profit or (loss) | | March 31, 2018 Profit or (loss) | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Spot rate of the foreign currency (1% movement) | NA | NA | NA | NA |
| Interest rates (100 bps movement) | (45.78) | 45.78 | (73.29) | 73.29 |

**C. Financial risk management**

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

**(i) Risk management framework**

The Company's risk management is carried out by the treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

**(ii) Credit risk**

Credit risk is the risk that the counterparty will not meet its obligation under a financial instrument or customer contract, leading to financial loss. The credit risk arises principally from its operating activities and its financing activities, including deposits with banks and financial institutions and other financial instruments.

Credit risk on cash and cash equivalent is limited as the Company generally invest in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies.

**(iii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived. In addition, the Company maintains the following line of credit:

(a) Unsecured loan facility from Holding Company carrying interest rate prevailing for Government Securities. The loan is repayable by March 31, 2020.

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of March 31, 2019:

| Particulars | Less than 1 year | 1 - 2 years | 2-5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| Liability component of OCRPS | - | - | - | 768.40 | 768.40 |
| Long term borrowings | - | 814.32 | 393.77 | - | 1,208.09 |
| Trade payables | 240.37 | - | - | - | 240.37 |
| Other current financial liabilities | 1,057.85 | | | | 1,057.85 |
| **Total** | **1,298.22** | **814.32** | **393.77** | **768.40** | **3,274.71** |

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of March 31, 2018:

| Particulars | Less than 1 year | 1 - 2 years | 2-5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| Liability component of OCRPS | - | - | - | - | - |
| Borrowings | - | 442.54 | 1,633.04 | - | 2,075.58 |
| Trade payables | 21.51 | - | - | - | 21.51 |
| Other financial liabilities | 335.25 | - | | | 335.25 |
| **Total** | **356.76** | **442.54** | **1,633.04** | **-** | **2,432.34** |

**(iv) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices.

**Foreign currency risk**

The Company operates internationally and a major portion of the business is transacted in several currencies and consequently, the Company is exposed to foreign exchange risk through operating and borrowing activities in foreign currency.

The currency profile of financial assets and financial liabilities as at March 31, 2019 and March 31, 2018 are as below:

| March 31, 2019 | USD | EUR | Others | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | - | - | - | - |
| **Financial liabilities** | | | | |
| Borrowings | (1,386.50) | - | - | (1,386.50) |
| Other current financial liabilities | (23.59) | (13.13) | (0.09) | (36.81) |
| **Net assets / (liabilities)** | **(1,410.09)** | **(13.13)** | **(0.09)** | **(1,423.31)** |
| **March 31, 2018** | **USD** | **EUR** | **Others** | **Total** |
| **Financial assets** | | | | |
| Cash and cash equivalents | - | - | - | - |
| **Financial liabilities** | | | | |
| Borrowings | (1,301.58) | - | - | (1,301.58) |
| Other current financial liabilities | (15.80) | (19.20) | - | (35.00) |
| **Net assets / (liabilities)** | **(1,317.38)** | **(19.20)** | **-** | **(1,336.58)** |

**Sensitivity analysis**

The sensivity of profit or loss to changes in exchange rates arises mainly from foreign currency denominated financial instruments and the impact on other components of equity arises from foreign exchange forward/option contracts designated as cash flow hedges.

| Particulars | Impact on profit or loss | | Impact on other components of equity | |
|---|---|---|---|---|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| **USD Sensitivity** | | | | |
| INR/USD - Increase by 1% | (14.10) | (13.17) | (10.01) | (13.17) |
| INR/USD - Decrease by 1% | 14.10 | 13.17 | 10.01 | 13.17 |
| **EUR Sensitivity** | | | | |
| INR/EUR - Increase by 1% | (0.13) | (0.19) | (0.13) | (0.19) |
| INR/EUR - Decrease by 1% | 0.13 | 0.19 | 0.13 | 0.19 |

**Cash flow and fair value interest rate risk**

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the year ended March 31, 2019 and March 31, 2018 the Company's borrowings at variable rate were mainly denominated in USD.

**(a) Interest rate risk exposure**

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Variable rate borrowings | 1,679.50 | 2,075.58 |
| **Total borrowings** | **1,679.50** | **2,075.58** |

**(b) Sensitivity**

The Company policy is to address interest rate risk exposure using interest rate swaps to achieve this when necessary. They are therefore not subject to interest rate risk as defined under Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of change in market interest rates.

## 21. Capital management

The key objective of the Company's capital management is to ensure that it maintains a stable capital structure with the focus on total equity to uphold investor, creditor, and customer confidence and to ensure future development of its business. The Company focused on keeping strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowings, if required without impacting the risk profile of the Company.

The capital structure as of March 31, 2019 and March 31,2018 was as follows:

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Equity attributable to the equity shareholders of the Company | 410.21 | 87.45 |
| **Equity and convertible preference shares** | 410.21 | 87.45 |
| **As a percentage of total capital** | 14.35% | 4.04% |
| Long-term borrowings | 1,679.50 | 2,075.58 |
| Liability component of OCRPS | 768.40 | - |
| **Total borrowings** | **2,447.90** | **2,075.58** |
| As a percentage of total capital | 85.65% | 95.96% |
| **Total capital (Equity and Borrowings)** | **2,858.11** | **2,163.03** |

## 22. Contingent liabilities and commitments

**(i) Capital Commitments:**

The estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2019, net of advances, is ₹ 32.83 (March 31, 2018:- ₹ 61.87).

**(ii) Contingent Liabilities:**

The company has no contingent liability as at March 31, 2019 & 2018.

In light of recent judgment of Honorable Supreme Court dated February 28, 2019 on the definition of "Basic Wages" under the Employees Provident Funds & Misc. Provisions Act, 1952 and based on Company's evaluation, there are significant uncertainties and numerous interpretative issues relating to the judgement and hence It is unclear as to whether the clarified definition of Basic Wages would be applicable prospectively or retrospectively. The amount of the obligation therefore cannot be measured with sufficient reliability for past periods and hence has currently been considered to be a contingent liability.

## 23. Reconciliation of basic and diluted shares used in computing Earnings per share

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| *Earnings* | | |
| **loss for the year** | **(481.04)** | **(88.42)** |
| *Shares* | | |
| Basic outstanding shares | 14,050,000 | 12,050,000 |
| Add : Weighted average shares issued during the year | - | 1,254,795 |
| **Weighted average shares used for computing basic and diluted EPS** | **14,050,000** | **13,304,795** |
| Earnings / (loss) per equity share | (34.24) | (6.65) |

## 24. Employee stock compensation

The employees of the Company are eligible for shares under the Biocon Employee Stock Option Plan ('ESOP Plan 2000') and Biocon - Restricted Stock Units of Syngene ('RSU Plan 2015') (collectively "stock option plans") of Biocon Limited.

Total number of options outstanding as at March 31, 2019 in respect of ESOP Plan 2000 and RSU plan 2015 towards the employees of the Company are 376,500 and 24,734 respectively. The Company has recorded an amount of ₹ 8.84 as cost of the above stock option plans and out of this ₹ 1.87 has been transferred to capital work in progress. The Company reimburses the cost to Biocon Limited.

## 25. Disclosure on Specified Bank Notes (SBNs)

The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 have not been made since the requirement does not pertain to financial year ended March 31, 2019.

26. Previous period's figures have been regrouped/ reclassified, where necessary to conform to current year's classification.

As per our report of even date attached

*for* B S R & Co. LLP
*Chartered Accountants*
Firm Registration Number: 101248W/W-100022
Sampad Guha Thakurta
*Partner*
Membership No.: 060573

Bengaluru
April 25, 2019

*for* and on behalf of the Board of Directors of Biocon Research Limited

Kiran Mazumdar-Shaw
*Director*
DIN: 00347229

Arun Chandavarkar
*Director*
DIN: 01596180

Indranil Sen
*Chief Financial Officer*

Arjun Sunil Makhecha
*Company Secretary*

Bengaluru
April 25, 2019