

Independent Auditor's Report

To the Members of Biocon Research Limited Report on the Financial Statements

We have audited the accompanying financial statements of Biocon Research Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 the design, implementation and maintenance of adequate internal financial control 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2015, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. 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 purpose 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) On the basis of the written representations received from the directors as on March 31, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015 from being appointed as a director in terms of Section 164 (2) of the Act; and
 - (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 29 to the financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Associates**

LLP Chartered Accountants

ICAI Firm Registration Number: 101049W

per Aditya Vikram Bhauwala

Partner

Membership Number: 208382

Place: Bengaluru

Date: April 28, 2015

Annexure to the Auditors' Report

The Annexure referred to in our report to the members of Biocon Research Limited ('the Company') for the year ended March 31, 2015. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification, intended to cover all the fixed assets of the Company over a period, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining proper records of inventory and, no material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a) and (b) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, as well as taking into consideration the management representation that certain items of fixed assets are of special nature for which alternative quotations are not available, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and inventory and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Companies Act, 2013, for the products/services of the Company.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, value added tax and cess on account of any dispute, are as follows:

Name of the Statute	Nature of the dues	Amount claimed (₹ Million)	Amount paid under protest (₹ Million)	Period to which the amount relates	Forum where dispute is pending
Income-tax Act, 1961	Income Tax	496.29	75.00	FY 2011-12, FY 2010-11 & FY 2009-10	Commissioner of Income Tax (Appeals)

- (d) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder.
- (viii) The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has not incurred cash losses during the year. In the immediately preceding financial year, the Company had incurred cash losses.
- (ix) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution and banks. The Company does not have any borrowing by way of debenture.
- (x) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xii) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For **S.R. Batliboi & Associates**

LLP Chartered Accountants

ICAI Firm Registration Number: 101049W

per **Aditya Vikram Bhauwala**

Partner

Membership Number: 208382

Place: Bengaluru

Date: April 28, 2015

Balance Sheet as at March 31, 2015

(All amounts in Indian Rupees Million)

	Notes	As at March 31, 2015	As at March 31, 2014
Equity and liabilities			
Shareholders' funds			
Share capital	3	0.50	0.50
Reserves and surplus	4	(2,007.49)	(2,090.41)
		(2,006.99)	(2,089.91)
Non-current liabilities			
Long-term borrowings	5	2,446.96	1,643.95
Other long-term liabilities	6	695.89	693.61
Long-term provisions	7	17.62	13.19
		3,160.47	2,350.75
Current liabilities			
Short-term borrowings	8	685.06	10.21
Trade payables	9	507.67	1,528.01
Other current liabilities	10	43.36	363.11
Short-term provisions	7	9.55	9.28
		1,245.64	1,910.61
TOTAL		2,399.12	2,171.45
Assets			
Non-current assets			
Fixed assets			
Tangible assets	11	519.96	585.23
Intangible assets	12	14.03	18.55
Capital work-in-progress		7.48	14.72
Intangible assets under development	12	1,007.30	485.33
Non-current investments	13	298.34	-
Loans and advances	14	106.22	-
		1,953.33	1,103.83
Current assets			
Inventories	15	8.84	18.00
Trade receivables	16	213.92	218.68
Cash and bank balances	17	10.46	416.69
Loans and advances	14	212.57	414.25
		445.79	1,067.62
TOTAL		2,399.12	2,171.45
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date
For S.R. Batliboi & Associates LLP
ICAI Firm registration no.: 101049W
Chartered Accountants

per Aditya Vikram Bhauwala
Partner

Membership no.: 208382

Bengaluru
April 28, 2015

For and on behalf of the Board of Directors of Biocon Research Limited

Kiran Mazumdar-Shaw
Director

Siddharth Mittal
Authorised Signatory

Bengaluru
April 28, 2015

John Shaw
Director

Statement of Profit and Loss for the year ended March 31, 2015

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

	Notes	Year Ended March 31, 2015	Year Ended March 31, 2014
Income			
Revenue from operations (net)	18	823.81	717.89
Other income	19	87.83	5.61
Total (I)		911.64	723.50
Expenses			
Employee benefits expense	20	254.01	244.88
Other expenses	21	983.59	1,695.75
Depreciation and amortisation expense (net)	22	171.37	171.18
Finance costs	23	102.71	0.01
		1,511.68	2,111.82
Less: Recovery of product development costs from co-development partners (net)		(183.92)	(973.56)
Total (II)		1,327.76	1,138.26
Loss before tax and exceptional item		(416.12)	(414.76)
Exceptional item (net) (III)	24	499.04	-
Profit / (Loss) before tax (I - II+III)		82.92	(414.76)
Tax expense		-	-
Profit / (Loss) for the year		82.92	(414.76)
Profit / (Loss) per share [nominal value of share Re 1 (March 31, 2014: Re 1)]			
Basic and Diluted (in Rs)		165.84	(829.52)
Weighted average number of shares used in computing profit / (loss) per share			
Basic and Diluted		500,000	500,000
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP

ICAI Firm registration no.: 101049W

Chartered Accountants

per Aditya Vikram Bhauwala

Partner

Membership no.: 208382

Bengaluru

April 28, 2015

For and on behalf of the Board of Directors of Biocon Research Limited

Kiran Mazumdar-Shaw

Director

Siddharth Mittal

Authorised Signatory

Bengaluru

April 28, 2015

John Shaw

Director

Cash Flow Statement

for the year ended March 31, 2015

(All amounts in Indian Rupees Million)

	Year Ended March 31, 2015	Year Ended March 31, 2014
I CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit / (loss) for the year	82.92	(414.76)
Adjustment to reconcile profit / (loss) before tax to net cash flows		
Depreciation / Amortisation expense	171.37	171.18
Unrealised foreign exchange (gain) / loss	27.35	(24.12)
Interest expense	102.71	0.01
Dividend income on current investments (non-trade)	(4.45)	(0.24)
Exceptional items (net)	(499.04)	-
Operating profit/(loss) before working capital changes	(119.14)	(267.93)
Movements in working capital		
Decrease/(Increase) in inventories	9.16	73.05
Decrease/(Increase) in trade receivables	4.37	(208.03)
Decrease/(Increase) in loans and advances	172.04	(42.24)
Increase/(Decrease) in liabilities and provisions [also refer note 26(f)]	1,111.80	1,094.52
Cash generated from operations	1,178.23	649.37
Direct taxes paid	(76.80)	-
Net cash flow from operating activities	1,101.43	649.37
II CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of tangible fixed assets, Capital work-in-progress and capital advances (net of reimbursements under co-development arrangement)	(274.23)	(60.15)
Purchase of non-trade investment	(3,488.23)	-
Proceeds from sale of non-trade investment	3,677.47	-
Acquisition of intangible assets	(592.84)	(81.33)
Dividend income received on current investments (non-trade)	91.95	0.24
Proceeds from sale of current investments	996.00	45.00
Purchase of current investments	(996.00)	(45.00)
Net cash flow from/ (used in) investing activities	(585.88)	(141.24)
III CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowing [also refer note 26(f)]	2,366.77	374.20
Repayment of long-term borrowing	(3,916.53)	(551.06)
Proceeds from short-term borrowings	1,833.91	10.21
Repayment of short-term borrowings	(1,183.93)	-
Interest paid [also refer note 26(f)]	(19.90)	(0.01)
Net cash flow from/ (used in) financing activities	(919.68)	(166.66)
IV NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)	(404.13)	341.47
V EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY	(2.10)	11.82
VI CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	416.69	63.40
VII CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (IV+V+VI)	10.46	416.69
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash on hand	0.08	0.05
Balances with banks		
on current accounts	10.38	416.64
CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT	10.46	416.69
Summary of significant accounting policies	2.1	

As per our report of even date
For S.R. Batliboi & Associates LLP
ICAI Firm registration no.: 101049W
Chartered Accountants

per Aditya Vikram Bhaauwala
Partner

Membership no.: 208382

Bengaluru
April 28, 2015

For and on behalf of the Board of Directors of Biocon Research Limited

Kiran Mazumdar-Shaw
Director

Siddharth Mittal
Authorised Signatory

Bengaluru
April 28, 2015

John Shaw
Director

Notes to the Financial Statements for the year ended March 31, 2015

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

1. Corporate information

Biocon Research Limited ("the Company") was incorporated in India on May 28, 2008, as a wholly owned subsidiary of Biocon Limited. The Company is engaged in carrying out research and development of drugs and drug delivery systems including innovative drug initiatives and out-license products, processes, patents, technology, that arise from the aforementioned research and development.

During the year ended March 31, 2010, the Company received an approval for a Special Economic Zone ("SEZ") unit to be located within Biocon SEZ at the Biocon Park facility. The Company commenced commercial operations during the year ended March 31, 2010.

2. Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards (AS), notified under section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention except in case of assets for which provision for impairment is made and revaluation is carried out.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

As at March 31, 2015, the Company has accumulated losses of ₹ 2,007.49 [March 31, 2014- ₹ 2090.41] and a negative net worth of ₹ 2,006.99 [March 31, 2014 - ₹ 2,089.91]. Management is of the view that the losses are attributable to the early stage of the Company's operations. Management is confident that it would be able to generate the required funds from its operations and achieve a profitable growth in the near future. The Company has also received commitment from its Holding Company to provide financial and operational support, if required. Accordingly, these financial statements are prepared by the management on a going concern basis.

2.1 Summary of significant accounting policies

a. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

b. Tangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and other directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. This applies mainly to components for machinery. When significant parts of fixed assets are required to be replaced at intervals, the Company recognizes such parts as individual-assets with specific useful lives and depreciates them accordingly. Likewise when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including routine repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

The Company adjusts exchange differences arising on translation/ settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset. In accordance with MCA circular dated August 09, 2012, exchange differences adjusted to the cost of fixed assets are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset for the period.

Gains or losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognised.

Assets funded by third parties are capitalised at gross value and the funds so received are recorded as funding received from co-developer and amortised over the useful life of the assets.

c. Depreciation on tangible fixed assets

Till March 31, 2014, depreciation on fixed assets was calculated using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act 1956, whichever was higher. During the year ended March 31, 2015, pursuant to Companies Act, 2013 applicable from April 1, 2014, management evaluated the estimates of useful lives of its fixed assets as per the requirements of Schedule II of the Companies Act, 2013 and concluded that there is no change in the estimated useful lives. Hence, there is no material impact on the financial statements in this regard.

Depreciation on fixed assets is calculated on a straight-line basis based on the useful lives estimated by the management as mentioned below.

Nature of Asset	Useful lives (in years)
Plant and machinery (including electrical installations)*	11
Computers and servers*	3
Office equipment	5
Furniture and fixtures*	6
Research and development equipment*	9

Used assets acquired from third parties are depreciated on a straight line basis over their remaining useful life of such assets.

Management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets, though these rates in certain cases are different from lives prescribed under Schedule II.

* For these classes of assets, where the estimated useful lives are different from lives prescribed under Schedule II, management has estimated these useful lives after taking into consideration technical assessment, prior asset usage experience and the risk of technological obsolescence.

d. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Computer software which is not an integral part of the related hardware is classified as an intangible asset.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed its remaining patent life or ten years, whichever is lower. If persuasive evidence exists to the effect that useful life of an intangible asset exceeds ten years, the Company amortizes the intangible asset over the best estimate of its useful-life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognised.

Amortisation of intangible assets:

- a) Intellectual Property rights are amortized on a straight line basis over the estimated useful economic life of 10 years.
- b) Computer Software is amortised over a period of 4-5 years, being its estimated useful life.

Research and Development Costs

Research and development costs incurred for development of products are expensed as incurred. Development costs which relate to the design and testing of new or improved materials, products or processes or for existing products in new territories are recognised as an intangible asset when the Company can demonstrate all the following:

- a) it is technically feasible to complete the development of the asset and it will be available for sale/use.
- b) it is expected that such development will be completed and used/sold.
- c) it is expected that such assets will generate future economic benefits.
- d) there are adequate resources to complete such development.
- e) it is possible to measure reliably the expenditure attributable to the asset during development.

Research and development expenditure of a capital nature is added to fixed assets. Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. The carrying value of the development cost is tested for impairment annually.

e. Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from short-term foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

f. Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss, except for previously revalued tangible fixed assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognized in the revaluation reserve up to the amount of any previous revaluation.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined,

Notes to the Financial Statements for the year ended March 31, 2015

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

net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

g. Inventories

Inventories of Consumables are valued at cost. Cost is determined on a first-in-first out basis. Customs duty on imported materials (excluding stocks in the bonded warehouse) is treated as part of the cost of the inventories.

h. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Sale of services:

In respect of licensing agreements entered into by the Company, revenue is recognised upon completion of performance obligations or on a proportional performance basis over the period the Company performs its obligations based on the terms of the agreements. Proportionate performance is measured based upon the efforts/ costs incurred to date in relation to the total estimated efforts / costs to complete the contract. The Company monitors estimates of the total contract revenue and cost on a routine basis throughout the contract period. The cumulative impact of any change in estimates of the contract revenue or costs is reflected in the period in which the changes become known. In the event that the loss is anticipated on a particular contract, provision is made for the estimated loss.

Research fee is recognised on an accrual basis as and when the services are rendered and collection is probable.

(ii) Dividend income: Dividend income is recognized when the Company's right to receive dividend is established by the reporting date.

i. Investments

Investments which are readily realisable and intended to be held for not more than twelve months from the date on which such investments are made are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

j. Retirement benefits

Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the statement of profit and loss for the year when the employee renders the related service and the contributions to the government funds are due. The Company has no obligation other than the contribution payable to provident fund authorities.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains and losses for defined benefit plan are recognized in full in the period in which they occur in the statement of profit and loss.

Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond 12 months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/ losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

k. Foreign currency translation

Foreign currency transactions and balances

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are translated using the exchange rates at the date when such values were determined.

Exchange Differences

From accounting period commencing on or after 7 December 2006, the Company accounts for exchange differences arising on translation/ settlement of foreign currency monetary items as below:

- (i) Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.
- (ii) Exchange differences arising on other long term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.
- (iii) All other exchange differences are recognized as income or as expenses in the period in which they arise.

For the purpose of (i) and (ii) above, the Company treats a foreign monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination. In accordance with MCA circular dated August 09, 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period.

I. Income tax

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax liability is recognised for all taxable timing differences. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

In the situations where the Company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes; the timing differences which originate first are considered to reverse first.

At each reporting date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternate Tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on "Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961", the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

m. Earnings Per Share (EPS)

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the - reporting period. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

n. Operating lease

Where-the Company is a Lessee

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

o. Segment reporting

Identification of segments

The Company's operating businesses are organised and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different services to different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operates.

Inter-segment Transfers

The Company generally accounts for inter-segment sales and transfers at an agreed marked-up price.

Allocation of common costs

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items

The Corporate and other segment include general corporate income and expense items which are not allocated to any business segment.

Segment policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

p. Provisions

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

q. Contingent liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

r. Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Share capital

	March 31, 2015	March 31, 2014
Authorised		
1,000,000 (March 31, 2014 - 1,000,000) equity shares of Re 1 each	1.00	1.00
Issued, subscribed and fully paid-up		
500,000 (March 31, 2014 - 500,000) equity shares of Re 1 each	0.50	0.50
Total issued, subscribed and fully paid-up share capital	0.50	0.50

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity Shares

	March 31, 2015		March 31, 2014	
	No.	₹ million	No.	₹ million
At the beginning of the year	500,000	0.50	500,000	0.50
Issued during the year	-	-	-	-
Outstanding at the end of the year	500,000	0.50	500,000	0.50

b. Terms/rights attached to equity shares:

The Company has only one class of equity shares having a par value of Re 1 per share. Each holder of equity shares is entitled to one vote per share. 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. The distribution will be in proportion to the number of equity shares held by shareholders.

c. Equity shares held by holding company and details of shareholders holding more than 5% shares held in the Company

	March 31, 2015		March 31, 2014	
	No.	% of holding	No.	% of holding
Biocon Limited, the holding company (including shares held through nominees)	500,000	100%	500,000	100%
Equity shares of Re 1 each fully paid up				

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

4. Reserves and surplus

	March 31, 2015	March 31, 2014
Surplus/(deficit) in the statement of profit and loss		
Balance as per the last financial statements	(2,090.41)	(1,675.65)
Profit / (Loss) for the year	82.92	(414.76)
Net surplus/(deficit) in the statement of profit and loss	(2,007.49)	(2,090.41)
Total reserves and surplus	(2,007.49)	(2,090.41)

5. Long-term borrowings

	March 31, 2015	March 31, 2014
Loans from related parties		
Loan from holding company (unsecured)	2,446.96	1,643.95
	2,446.96	1,643.95

a. The Company has obtained an unsecured loan facility upto ₹ 6,500 on July 24, 2014 from Biocon Limited, carrying an interest rate @ 9% per annum for supporting its operations and funding research and development activities. The loans are repayable in March 31, 2020.

The maximum amount outstanding during the year to Biocon Limited was ₹ 3,053.49 (March 31, 2014 - ₹ 1,891.11).

6. Other long-term liabilities

	March 31, 2015	March 31, 2014
Payable for capital goods and services. [refer note 12(a)]	673.20	673.20
Funding received from co-development partner towards fixed assets. [refer note 10 and 11(b)]	22.69	20.41
	695.89	693.61

7. Provisions

	Long-term		Short-term	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Provision for employee benefits				
Provision for gratuity (refer note 31)	17.62	13.19	2.67	2.67
Provision for leave benefits	-	-	6.88	6.61
	17.62	13.19	9.55	9.28

8. Short-term borrowings

	March 31, 2015	March 31, 2014
Packing credit foreign currency loan (unsecured) [refer note (a) below]	685.06	-
Bank overdraft (unsecured) [refer note (b) below]	-	10.21
	685.06	10.21

a. The Company has obtained foreign currency denominated loans of ₹ 685.06 (US\$ 11 million) [March 31, 2014 - ₹ Nil], carrying an interest rate of LIBOR plus 0.35% per annum, from a bank as at March 31, 2015. The loan is repayable on April 06, 2015. Biocon Limited has given corporate guarantee for such loan.

b. The bank overdraft was payable on demand and carried interest @ 11%-13% per annum.

	March 31, 2015	March 31, 2014
9. Trade payables (refer (a) below)	507.67	1,528.01
(a) Disclosure required under Clause 22 of Micro, Small and Medium Enterprise Development Act, 2006 (MSMED Act)		
(i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
Principal amount due to micro and small enterprises	3.09	0.27
Interest due on the above	0.17	0.04
	3.26	0.31
(ii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006	-	-
Amounts of the payment made to the supplier beyond the appointed day during each accounting year	5.07	0.90
(iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond appointed day during the year) but without adding the interest specified under the MSMED Act 2006	0.06	0.06
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
(v) 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	0.27	0.04

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.

10. Other current liabilities

	March 31, 2015	March 31, 2014
Payable for capital goods and services	11.42	265.35
Advances from co-development partner	7.60	11.40
Balance in current account with bank representing book overdraft	-	1.13
Others:		
Interest accrued and due	9.57	-
Statutory dues [refer (a) below]	11.46	7.54
Deferred revenues	-	75.05
Funding received from co-development partner towards fixed assets [refer note 6 and 11(b)]	3.31	2.64
	43.36	363.11

a. Statutory dues include Provident Fund, Employees State Insurance, Professional Tax, Withholding taxes and other indirect taxes payable.

11. Tangible assets

	Plant and machinery (including computers)	Furniture and fixtures	Research and development equipment [Refer note b]	Total
Cost				
At April 01, 2013	243.07	0.87	453.23	697.17
Additions	1.08	1.24	63.79	66.11
Disposals	-	-	-	-
At March 31, 2014	244.15	2.11	517.02	763.28
Additions	8.37	1.04	24.31	33.72
Disposals	-	-	-	-
At March 31, 2015	252.52	3.15	541.33	797.00
Depreciation				
At April 01, 2013	20.87	0.14	58.76	79.77
Charge for the year	25.80	0.30	72.18	98.28
Disposals	-	-	-	-
At March 31, 2014	46.67	0.44	130.94	178.05
Charge for the year	25.32	0.41	73.26	98.99
Disposals	-	-	-	-
At March 31, 2015	71.99	0.85	204.20	277.04
Net Block				
At March 31, 2014	197.48	1.67	386.08	585.23
At March 31, 2015	180.53	2.30	337.13	519.96

(a) Fixed assets excludes certain equipment obtained on loan basis from co-development partner for use in the joint development program amounting to ₹ 68.00. Total equipment on loan basis ₹ 68.00 (March 31, 2014 - ₹ 68.00)

(b) Addition to fixed assets during the year ended March 31, 2015, include assets of ₹ 11.90 (March 31, 2014 - ₹ 47.50) of which, ₹ 5.95 (March 31, 2014 - ₹ 23.75) has been funded by co-development partner. The Company has capitalized and depreciated the gross cost of these assets. The funding received from the co-development partner is reflected in note 6 and 10 and the depreciation charge for the year has been adjusted for the proportionate amount recovered from the co-development partner. Also refer note 22.

12. Intangible assets

	Intangible assets Computer software	Intangible assets under development Intellectual Properties under development [refer note (a) below]	Product development Cost [refer note (b) below]	Total
Gross Block				
At March 31, 2013	27.31	1,293.11	-	1,293.11
Additions	-	-	81.33	81.33
At March 31, 2014	27.31	1,293.11	81.33	1,374.44
Additions	3.50	-	589.34	589.34
At March 31, 2015	30.81	1,293.11	670.67	1,963.78
Amortization				
At March 31, 2013	2.47	821.80	-	821.80
Charge for the year	6.29	67.31	-	67.31
At March 31, 2014	8.76	889.11	-	889.11
Charge for the year	8.02	67.37	-	67.37
At March 31, 2015	16.78	956.48	-	956.48
Net Block				
At March 31, 2014	18.55	404.00	81.33	485.33
At March 31, 2015	14.03	336.63	670.67	1,007.30

(a) During the year ended March 31, 2010, the Company acquired development and marketing rights of oral insulin from Biocon Limited for a consideration of ₹ 673.20. During the year ended on March 31, 2013, the Company entered into an option agreement with a third party providing such third party rights to develop and commercialize the product worldwide excluding India. The Company is currently engaged in conducting certain development activities required to be carried before third party chooses to exercise said option.

(b) Product development cost relates to the cost of development of a product in the global market. Also refer note 21(c)

13. Non-current investments

	March 31, 2015	March 31, 2014
Other investments (valued at cost unless stated otherwise)		
Investment in equity instruments (unquoted)		
1,866,673 (March 31, 2014 - Nil) equity shares in Syngene International Limited, a fellow subsidiary of Biocon Limited (Face value: ₹ 10 per share) [also refer note 24]	298.34	-
	298.34	-

	Non-current		Current	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
14. Loans and advances				
Capital advances				
Unsecured, considered good	-	-	0.22	-
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	71.79	110.98
Other loans and advances				
Unsecured, considered good				
Advance income tax	76.80	-	-	-
Other receivables	-	-	60.04	199.85
Other receivables from related parties (refer note 26)	-	-	80.52	81.77
Balances with statutory / government authorities	29.42	-	-	21.65
	106.22	-	212.57	414.25

15. Inventories (valued at lower of cost and net realisable value)

	March 31, 2015	March 31, 2014
Other investments (valued at cost unless stated otherwise)	8.84	18.00

a. Consumables comprises of reference products and resins, which are used in clinical trials and research & development activities, and are consumed over a period of time.

16. Trade receivables

	March 31, 2015	March 31, 2014
Outstanding for a period less than six months from the date they are due for payment		
Considered good, unsecured	213.92	218.68
	213.92	218.68

17. Cash and bank balances

	March 31, 2015	March 31, 2014
Cash and cash equivalents		
Balances with banks:		
On current accounts	10.38	416.64
Cash on hand	0.08	0.05
	10.46	416.69

18. Revenue from operations (net)

	March 31, 2015	March 31, 2014
Sale of services		
Research fees (refer note 26)	734.11	715.31
Licensing and development fees	72.05	-
Royalty income (refer note 26)	17.65	2.58
	823.81	717.89
19. Other income		
Dividend income on current investments (non-trade)	4.45	0.24
Foreign exchange differences (net)	-	5.37
Other non-operating income (refer note 26)	83.38	-
	87.83	5.61
20. Employee benefits expense		
Salaries, wages and bonus	230.91	228.71
Contribution to provident and other funds	9.29	8.28
Gratuity expense (refer note 31)	5.71	3.03
Staff welfare expenses	8.10	4.86
	254.01	244.88
21. Other expenses		
Lab consumables	324.10	459.32
Power and fuel	66.95	71.32
Rent	35.63	36.08
Rates and taxes	0.35	0.31
Insurance	0.52	1.05
Repairs and maintenance		
Others	47.47	61.68
Travelling and conveyance	10.65	10.44
Communication costs	0.30	3.12
Printing and stationery	1.13	1.13
Legal and professional fees	248.31	82.24
Payments to auditors [refer note (a) below]	0.56	0.46
Research and development expenses [refer (b) below]	815.49	1,037.95
Foreign exchange differences (net)	15.69	-
Miscellaneous expenses	5.78	11.98
	1,572.93	1,777.08
Product development costs capitalised [refer note (c) below]	(589.34)	(81.33)
	983.59	1,695.75
a. Payments to auditors		
As auditor:		
Audit fee	0.38	0.30
Tax audit fee	0.12	0.10
Reimbursement of expenses	0.06	0.06
	0.56	0.46
b. Research and development expense includes consumption of consumables comprising of reference product and resins		
Details of consumption		
Inventory at the beginning of the year	18.00	91.05
Add: Purchases	-	-
	18.00	91.05
Less: Inventory at the end of the year	8.84	18.00
Consumption for the year	9.16	73.05

c. Product development costs capitalised comprise of lab consumables of ₹ 29.48 (March 31, 2014 - ₹ 4.03) and other third party costs of ₹ 559.86 (March 31, 2014 - ₹ 77.30) included in research & development expenses above.

22. Depreciation and amortisation expense (net)

	March 31, 2015	March 31, 2014
Depreciation of tangible assets [refer note 11]	98.99	98.28
Amortization of intangible assets [refer note 12]	75.39	73.60
Depreciation on assets partly funded by co-development partner [refer note 11 (b)]	(3.01)	(0.70)
	171.37	171.18

23. Finance costs

Interest expense (refer note 24 and note 26)	102.71	0.01
	102.71	0.01

24. Exceptional item (net)

On September 9, 2014, the Company purchased 7.69% of equity shares in Syngene International Limited ("Syngene") from GE Equity International Mauritius for a consideration of ₹ 2,154. On September 10, 2014, the Company received dividend of ₹ 87.50 from Syngene on the above shares. The Company also subscribed to additional equity shares in Syngene by way of rights issue for a consideration of ₹ 1,334.23, thereby taking BRL's shareholding in Syngene to 10.93%. On September 18, 2015, the Company entered into an agreement with Silver Leaf Oak (Mauritius) Limited ("Silver Leaf") to sell 10% of equity holding in Syngene.

In January 2015, Silver Leaf assigned its rights and obligations to purchase the aforesaid equity stake in Syngene to IVF Trustee Company Private Limited ("IVF"), a fund advised by India Value Fund Advisors. Subsequently, the Company sold such shares to IVF for a consideration of ₹ 3,800. Accordingly, a gain of ₹ 609.69 has been recorded on such sale. Further, the Company incurred cost of ₹ 198.15 (including interest expense of ₹ 75.62) in relation to above transaction. Accordingly, dividend income and gain on sale of investment, net of transaction cost, amounting to ₹ 499.04 has been disclosed as exceptional item.

25. Research and development expenses included in other heads

	March 31, 2015	March 31, 2014
Employee benefits expense	158.33	153.45
Other expenses	1,572.02	1,776.31
Amortisation expense of Intangible assets	67.37	67.31
	1,797.72	1,997.07
Recovery of product research & development costs from co-development partners (net) (Refer note 33)	(183.92)	(973.56)
Product development costs capitalised	(589.34)	(81.33)
	1,024.46	942.18
Research & development expenses on Equipment (net of reimbursements under co-development arrangement) [Also refer note 11(b)]	18.35	40.05

26. Related party disclosures:

Related parties where control exists and related parties with whom transactions have taken place during the year as listed below:

SI No	Name of related party	Relationship	Description	April 1, 2014 to March 31, 2015 Expenses / (Income)/other transaction	March 31, 2015 Payables/ (Receivables)	April 1, 2013 to March 31, 2014 Expenses / (Income)	March 31, 2014 Payables/ (Receivables)
1	Biocon Limited	Holding Company	Gross charges towards lab consumables and other expenses Rent Expense [refer Note (a) below] Power and fuel [refer Note (a) below] Repairs & maintenance (towards utility charges) [refer Note (a) below] Royalty income Trade payable (refer note (f) below) Payable for capital goods (Non-current) [refer Note 12(a)] Payable for capital goods (Current) Purchase of goods Long-term borrowings [refer note (f) below] Interest on long-term borrowings (refer note (f) below) Guarantee given by related party to a bank on behalf of the Company	586.60 33.96 64.31 8.58 (17.65) - - 6.44 - 156.98 - -	- - - - - 180.10 673.20 - - 2,446.96 9.25 685.06	1,069.27 33.96 71.32 11.28 (2.58) - - - - - - -	- - - - - 1,326.10 673.20 241.32 - 1,643.95 - -
2	Syngene International Limited	Fellow Subsidiary	Professional Charges (Expenses) Trade payable Subscription of equity shares - Right issue (refer note d below) Dividend income (refer note d below)	88.65 - 1,334.23 (87.50)	- 11.36 - -	31.01 - - -	- 13.05 - -
3	Clinigene International Limited	Fellow Subsidiary (refer note b)	Professional Charges (Expenses) Trade payable	- -	- -	15.77 -	- 2.95
4	Biocon SA	Fellow Subsidiary	Research fees (income) Trade receivable Other receivable	(734.11) - -	- (142.61) (78.41)	(715.31) - -	- (218.68) (81.77)
5	Biocon SDN BHD	Fellow Subsidiary	Other non-operating income (refer note e below) Other receivable	(83.38) -	- (2.11)	- -	- -

(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) On April 23, 2014, the Board of Directors of Syngene International Limited approved a scheme of amalgamation (the Scheme) of Clinigene International Limited ("Clinigene"), a wholly owned subsidiary of Syngene, with Syngene under section 391 and 394 of the Companies Act, 1956. The Honourable High Court of Karnataka approved the aforesaid Scheme with Appointed Date as April 01, 2014 vide its order dated February 5, 2015 ("the Order"). The copy of the Order was filed with the Registrar Companies on March 2, 2015.

(c) Fellow subsidiary companies with whom the Company did not have any transactions:

- (i) Biocon Academy, a subsidiary of Biocon Limited
- (ii) Biocon Pharma Limited, a subsidiary of Biocon Limited
- (iii) NeoBiocon FZ LLC, a subsidiary of Biocon Limited

(d) On September 9, 2014, the Company purchased 4,166,667 equity shares of Syngene International Limited ("Syngene") (Face value: ₹ 5 per share) from GE Equity International Mauritius for a consideration of ₹ 2,154. On September 10, 2014, the Company received dividend of ₹ 87.50 from Syngene on the above shares. The Company also subscribed 1,971,060 equity shares of Syngene (Face value: ₹ 5 per share) by way of rights issue for a consideration of ₹ 1,334.23.

(e) Other non-operating income pertains to fee charged on training of certain employees of Biocon SDN BHD.

(f) The Company has obtained an unsecured loan facility amounting to ₹ 6,500 from Biocon at the interest rate prevailing for Government securities, to support its operations. The said loan is repayable by March, 2020. During the year ended March 31, 2015, the Company took loans of ₹ 2,366.77 (March 31, 2014: ₹ 374.20). Trade payables of ₹ 2,220.74 and interest payable of ₹ 132.03 were converted to loans as at March 31, 2015 under the aforesaid facility. During the year ended March 31, 2015, the Company repaid loans of ₹ 3,916.53 (March 31, 2014: ₹ 551.06) to Biocon.

27. Other disclosures

	March 31, 2015	March 31, 2014
(i) Earnings in foreign currency (accrual Basis)		
Research fees	734.11	715.31
Licensing and development fees	72.05	-
Other non-operating income	83.38	-
	889.54	715.31
Recovery of product research & development costs from co-development partners amounting to ₹ 183.92 (March 31, 2014 ₹ 973.56) is not included above.		
(ii) Expenditure in foreign currency (accrual basis)		
Travelling and conveyance	0.25	3.47
Professional fees	170.10	70.81
Research and development expenses	116.08	86.99
Others	9.45	7.20
	295.88	168.47
(iii) Details of consumption of consumables		
(Charged as Research & development expenses)		
Indigenous:		
Consumables		
- Resins	9.16	37.55
- Reference Product	-	35.50
	9.16	73.05
(iv) Value of imports calculated on CIF basis		
Lab consumables	140.95	169.35
Spare parts (included in repairs & maintenance - others)	3.79	3.69
Capital goods (includes capital work-in-progress)	13.55	59.61
	158.29	232.65
28. Capital and other commitments		
(i) Capital commitments		
The estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2015, net of advances, is ₹ 9.83 (March 31, 2014 - ₹ 10.39).		
(ii) Operating lease commitments		
The Company has entered into lease agreements which expire on March 31, 2018. Gross rental expenses for the year ended March 31, 2015 aggregated to ₹ 33.96 (March 31, 2014 - ₹ 33.96). The committed lease rental in future is as follows:		
Not later than one year	37.32	33.96
Later than one year and not later than five years	77.62	114.58
Vehicles		
The Company has taken vehicles for certain employees under operating leases, which expires over a period upto November 2016. Gross rental expenses for the year aggregate to ₹ 1.47 (March 31, 2014 - ₹ 1.17). The committed lease rentals in future are as follows:		
Not later than one year	1.41	1.09
Later than one year and not later than five years	1.25	1.36
29. Contingent liabilities		
Claims against the Company not acknowledged as debt -		
- Direct taxation (matters pertaining to disputes on tax holiday benefits and disallowance of certain expenses claimed by the Company)	496.29	443.16
The Company is involved in taxation and other disputes, lawsuits, proceedings etc that arise from time to time in the ordinary course of business. Management is of the view that such claims are not tenable and will not have any material adverse effect on the Company's financial position and results of operations.		

30. Unhedged foreign currency exposures

	March 31, 2015	March 31, 2014
Trade receivables	213.92	218.68
Balance in special foreign currency account	5.40	416.64
Other receivables (current)	140.56	281.62
Advance from co-development partner (current)	7.60	11.40
Packing credit foreign currency loan (unsecured)	685.06	-
Trade payable and payable for capital goods	35.31	61.44

31. Employee benefit plans

The Company has a defined benefit gratuity plan for retirement benefit of employees. Under the gratuity plan, every employee who has completed atleast five years of service gets a gratuity on departure at 15 days of last drawn salary for each completed year of service. The plan is unfunded.

The following table summarise the components of net benefit expense recognised in the statement of profit and loss and amounts recognised in the balance sheet.

	March 31, 2015	March 31, 2014
Fund balance		
Defined benefit obligation	20.29	15.86
Plan liability	20.29	15.86
The change in present value of the defined benefit obligation of the gratuity plan for the year ended March 31, 2015 and March 31, 2014 is as follows:		
Change in benefit obligation		
Benefit obligation at the beginning of the year	15.86	13.26
Current service cost	3.23	1.62
Interest cost	1.39	1.06
Benefits paid	(1.28)	(0.43)
Actuarial (gain) / loss on obligation	1.09	0.35
Benefit obligation at the end of the year	20.29	15.86
Statement of profit and loss		
Net employee benefit expense recognised in the employee cost		
Current service cost	3.23	1.62
Interest cost	1.39	1.06
Net actuarial (gain) / loss recognised during the year	1.09	0.35
Net gratuity cost	5.71	3.03

	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011
Experience adjustment					
Defined benefit obligation	20.29	15.86	13.26	0.15	0.03
Surplus / (Deficit)	(20.29)	(15.86)	(13.26)	(0.15)	(0.03)
Experience adjustments on plan liabilities	(0.76)	(0.23)	(1.27)	0.07	-
Experience adjustments on plan assets	-	-	-	-	-

The principal assumptions used in determining gratuity benefit obligation for the Company's plan are shown below:

	March 31, 2015	March 31, 2014
Interest rate	8.75%	8.00%
Discount rate	7.93%	8.75%
Salary increase	9.00%	9.50%
Attrition rate upto age 44	26.00%	26.00%
Attrition rate above age 44	7.00%	8.00%
Retirement age - Years	58	58

32. Segment Information

Business segments

Since the Company's business activity falls within a single business segment, i.e. carrying out research and development of drugs and drug delivery systems, there are no additional disclosures to be provided under Accounting Standard 17 'Segment Reporting' other than those already provided in the financial statements.

Geographical segments

Secondary segmental reporting is performed on the basis of the geographical location of the customer. The management views the Indian market and export market as distinct geographical segments. The following is the distribution of the Company's sale by geographical markets:

Revenue

	March 31, 2015	March 31, 2014
India	17.65	2.58
Exports	720.68	715.31
	738.33	717.89

The following is the carrying amount of segment assets by geographical area in which the assets are located:

Carrying amount of segment assets

India *	2,044.64	1,671.15
Outside India	354.48	500.30
	2,399.12	2,171.45

* All tangible fixed assets and intangible assets are located in India.

33. Recovery of product research & development costs from co-development partner (net) pertains to co-development partner's share of expenses under the development agreements comprising of payroll costs, depreciation and amortisation and other expenses.

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

As per our report of even date
For S.R. Batliboi & Associates LLP
ICAI Firm registration no.: 101049W
Chartered Accountants

per **Aditya Vikram Bhauwala**
Partner

Membership no.: 208382

Bengaluru
April 28, 2015

For and on behalf of the Board of Directors of Biocon Research Limited

Kiran Mazumdar-Shaw
Director

John Shaw
Director

Siddharth Mittal
Authorised Signatory

Bengaluru
April 28, 2015