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Independent Auditors' Report

To the Board of Directors of Ajanta Pharma Limited

Report on the Financial Statements

Opinion

At the request of Ajanta Pharma Limited (APL), the Holding Company of Ajanta Pharma USA Inc. ('APUI' or 'the Company'), registered as a limited liability Company in New Jersey, United States of America, we have audited the accompanying financial statements of the Company, which comprise the Balance Sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Ind AS financial statements"), prepared and presented solely to facilitate the preparation of the consolidated financial statements of the Holding Company- Ajanta Pharma Limited ('APL'), in terms of section 129(3) of the Indian Companies Act, 2013 (the "Act") and in accordance with the requirements of the Schedule III to the Act.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the basis of preparation as set out in note 2 of the financial statements and Group Accounting Policies of Ajanta Pharma Limited, of the state of affairs of the APUI as on 31 March 2020 and its profit (including other comprehensive income), the changes in equity and cash flow for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SA) issued by the Institute of Chartered Accountants of India ('ICAI') and in particular SA 800 "Special Considerations – Audit of Financial Statements prepared in accordance with Special Purpose Frameworks. 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 and have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

The Holding Company, APUI's management and their Board of Directors are responsible for the preparation of these financial statements that gives a true and fair view of the state of affairs, profit and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting policies followed by the Holding Company- Ajanta Pharma Limited, in preparing its financial statements ("Group Accounting Policies")

B S R & Co. is a partnership firm with
Registration No. BA61223 converted into
B S R & Co. LLP (a Limited Liability Partnership
with LLP Registration No. AAB-8181)
with effect from October 14, 2013

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5th Floor, Lodha Excelus
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Mumbai - 400 011, India

APUI

Independent Auditors' Report (Continued)

Ajanta Pharma Limited

Management's Responsibility for the Financial Statements (Continued)

This responsibility also includes maintenance of adequate accounting records for safeguarding 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 these financial statements, Holding Company, APUI's management and the Board of Directors of Holding Company and APUI 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.

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

Auditors' Responsibility 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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Independent Auditors' Report (Continued)

Ajanta Pharma Limited

Auditors' Responsibility for the Audit of the Financial Statements (Continued)

- 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 presentation in accordance with the basis of preparation as set out in Note 2 to the financial statements.

We communicate with the management 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.

Other matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of preparation. These financial statements do not constitute a set of statutory financial statements in accordance with the local laws in which the Company is incorporated and are prepared for the sole purpose of consolidation of the financial statements of APUI with the Holding Company – Ajanta Pharma Limited.

For **BSR & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022



Sreeja Marar
Partner

Membership No: 111410
UDIN: 20111410AAAAAT2585

Mumbai
20 May 2020

Ajanta Pharma USA Inc

Balance Sheet

as at 31 March 2020

(Currency: USD)

		31 March 2020	31 March 2019
	Note	USD	USD
Assets			
Non-current assets			
Property, plant and equipment	7	606,910	646,697
Other intangible assets	7	150,670	-
Intangible assets under development	7	110,216	47,728
Right-of-use assets	7	559,100	-
Deferred tax assets (net)	8	39,100	-
Total non-current assets		1,465,996	694,425
Current assets			
Inventories	9	16,386,549	13,632,350
Financial assets			
Trade receivables	10	55,143,579	28,041,080
Cash and cash equivalents	11	5,857,868	2,227,010
Other current assets	12	485,938	461,248
Total current assets		77,873,934	44,361,688
Total assets		79,339,930	45,056,113
Equity and Liabilities			
Equity			
Equity share capital	13	1,000,000	1,000,000
Other equity	14	4,521,926	2,438,758
Total equity		5,521,926	3,438,758
Liabilities			
Non current liabilities			
Lease liabilities	15	431,982	-
Current liabilities			
Financial liabilities			
Borrowings	16	5,663,521	4,821,887
Trade payables	17	56,778,966	32,852,042
Lease liabilities	18	167,250	-
Other financial liabilities	19	5,493,453	959,936
Other current liabilities	20	5,023,101	2,333,263
Current tax liabilities (net)	21	259,731	650,227
Total current liabilities		73,386,022	41,617,355
Total equity and liabilities		79,339,930	45,056,113

Significant accounting policies

1 to 6

The note referred to above form an integral part of financial statement

7 to 41

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

Firm Registration No: 101248W/W-100022



Sreeja Marar

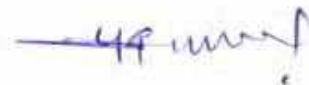
Partner

Membership No. 111410

Mumbai, 20 May, 2020

For and on behalf of Board of Directors of

Ajanta Pharma USA Inc.



Yogesh M. Agrawal

Director

DIN : 00073673

Mumbai, 20 May, 2020

Ajanta Pharma USA Inc

Statement of Profit and Loss Account

for the year ended 31 March 2020

(Currency: USD)

	Note	31 March 2020 USD	31 March 2019 USD
Income			
Revenue from operations	22	71,137,310	41,769,674
Total income		71,137,310	41,769,674
Expenses			
Purchase of stock-in-trade	23	62,044,226	35,209,774
Changes in inventories of finished goods/work-in-progress/stock-in-trade	24	(2,754,199)	(1,738,757)
Employee benefits expense	25	3,786,342	3,234,684
Finance costs	26	326,930	74,695
Depreciation and amortisation expense	27	221,214	51,901
Other expenses	28	5,623,669	3,366,837
Total expenses		69,248,182	40,199,134
Profit before tax		1,889,128	1,570,540
Tax expense			
For current year	38	514,051	329,813
For earlier years	38	(650,227)	141,387
Deferred tax	38	(39,100)	-
Profit for the year		2,064,404	1,099,340
Other comprehensive income / (loss)			
Items that will be reclassified subsequently to profit or loss			
Income tax relating to items that will be reclassified to profit or loss		-	-
Net other comprehensive income / (loss) to be reclassified subsequently to profit or loss		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent years			
Income tax relating to items that will not be reclassified to profit or loss		-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent years		-	-
Other comprehensive income / (loss) for the year, net of tax		-	-
Total comprehensive income for the year		2,064,404	1,099,340
Earning Per Equity Share (Basic & Diluted) (Face Value USD 100/-)	30	206.44	109.93
Significant accounting policies	1 to 6		
The note referred to above form an integral part of financial statement	7 to 41		

As per our report of even date attached

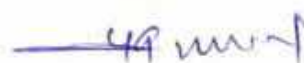
For BSR & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/W-100022



Sreeja Marar
Partner
Membership No: 111410

Mumbai, 20 May, 2020

For and on behalf of Board of Directors of
Ajanta Pharma USA Inc.



Yogesh M. Agrawal
Director
DIN : 00073673

Mumbai, 20 May, 2020

Ajanta Pharma USA Inc

Statement of Changes in Equity for the year ended 31 March 2020

for the year ended 31 March 2020

(Currency: USD)

A. Equity Share Capital (Refer note 13)

	Balance as at 1 April 2019	Changes in equity share capital during the year	Balance as at 31 March 2020
Authorized :	1,000,000	-	1,000,000
Issued :	1,000,000	-	1,000,000
Subscribed & Paid up:	1,000,000	-	1,000,000

B. Other equity (Refer note 14)

Particulars	General Reserve	Retained Earnings	Equity contribution from Holding Company	Total Equity
As at 1 April 2018	(1,567,902)	2,907,320	-	1,339,418
Profit for the period	-	1,099,340	-	1,099,340
Other comprehensive income	-	-	-	-
Total comprehensive income	-	1,099,340	-	1,099,340
Transfer to General reserve	-	-	-	-
Deferred Tax impact on opening carry forward loss	-	-	-	-
Dividend Paid	-	-	-	-
At 31 March 2019	(1,567,902)	4,006,660	-	2,438,758
Transition impact of Ind AS 116 (Refer Note 33)	-	(30,933)	-	(30,933)
Restated balance as 1 April 2019	(1,567,902)	3,975,727	-	2,407,825
Profit for the period	-	2,064,404	-	2,064,404
Other comprehensive income	-	-	-	-
Total comprehensive income	-	2,064,404	-	2,064,404
Dividend Paid	-	-	-	-
Stock options of holding company granted	-	-	49,697	49,697
At 31 March 2020	(1,567,902)	6,040,131	49,697	4,521,926

Nature of Reserves

a) General Reserve

The General reserve is used from time to time to transfer profits from retained earnings for appropriation purposes.

b) Retained Earnings

Retained Earnings are the profits that the Company has earned till date less any transfer to general reserve, dividends or other distributions paid to shareholders.

c) Equity Contribution from Holding Company

The fair value of options granted by Parent company to employees of the company are recognised as Equity Contribution from Holding Company.

The accompanying notes form an integral part of the financial statements

For BSR & Co. LLP

Chartered Accountants

Firm Registration No: 101248W/W-100022



Sreeja Marar

Partner

Membership No: 111410

Mumbai, 20 May, 2020

For and on behalf of Board of Directors of

Ajanta Pharma USA Inc.



Yogesh M. Agrawal

Director

DIN : 00073673

Mumbai, 20 May, 2020

Ajanta Pharma USA Inc

Cashflow Statement

for the year ended 31 March 2020

(Currency: USD)

	31 March 2020	31 March 2019
A. Cash flow from operating activities		
Profit before tax	1,889,128	1,570,540
Adjustment for:		
Depreciation and amortisation expense	221,214	51,901
Finance costs	326,930	74,695
Provision for expired goods	4,533,517	(844,221)
Impairment loss on financial assets	140,555	-
Employee stock option expense	49,697	-
Operating cash flow before working capital changes	7,161,841	852,915
Changes in working capital:		
(Increase) in trade receivable	(27,243,053)	(10,436,157)
(Increase) in other current assets	(24,690)	100,332
(Increase) in inventories	(2,754,199)	(1,738,757)
Increase in other current liabilities	2,701,189	1,408,389
Increase in trade payables	23,926,925	6,129,067
Cash generated from operations	3,767,213	(3,684,211)
Net income tax (paid) / written back	(265,673)	(217,000)
Net cash flow generated from operating activities	3,501,540	(3,901,211)
B. Cash flow from investing activities		
Capital expenditure on property, plant and equipment including capital advances	(226,855)	(127,559)
Net cash used in investing activities	(226,855)	(127,559)
C. Cash flow from financing activities		
Increase in short-term borrowings-net	841,634	4,821,887
Repayment of lease liability (including interest thereon)	(200,208)	-
Interest paid	(285,253)	(74,695)
Net cash used in financing activities	356,173	4,747,192
Net increase in cash and cash equivalents	3,630,858	718,422
Cash and cash equivalents as at the beginning of the year	2,227,010	1,508,588
Cash and cash equivalents as at the end of the year	5,857,868	2,227,010

Note:

1. The above Cash Flow Statement has been prepared under 'Indirect Method' as set out in Accounting Standard 7 (Ind AS - 7) "Statement of Cash Flow" under Section 133 of the Companies Act 2013.

2. Cash comprises cash on hand, current accounts and deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition).

3. Changes in liabilities arising from financing activities

Short-term borrowings:

	31 March 2020	31 March 2019
Opening balance	4,821,887	-
Amount borrowed / (repaid) during the year	841,634	4,821,887
Closing balance	5,663,521	4,821,887

As per our report of even date attached

For BSR & Co. LLP

Chartered Accountants

Firm Registration No: 101248W/W-100022



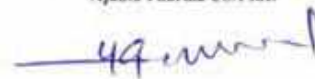
Sreeja Marag

Partner

Membership No: 111410

Mumbai, 20 May, 2020

For and on behalf of Board of Directors of
Ajanta Pharma USA Inc.



Yogesh M. Agrawal

Director

DIN : 00073673

Mumbai, 20 May, 2020

Ajanta Pharma USA Inc.

Notes to the Financial Statements as on 31 March 2020

1. Corporate Information

Ajanta Pharma USA Inc. is a limited liability company incorporated and domiciled in United States of America and is a wholly owned subsidiary of Ajanta Pharma Ltd., India. The address of its registered office is located at 440, US Highway, 22, East Bridgewater, New Jersey 08807, USA.

Company is primarily involved in the business of pharmaceutical and related activities.

2. Basis of preparation

Statement of Compliance

The financial statements are prepared in accordance with the Company accounting policies as adopted by its Holding Company, Ajanta Pharma Limited (Ajanta) which is as per the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Indian Companies Act, 2013 ("the Act").

These financial statements are "special purpose financial statements" and do not constitute a set of statutory financial statements in accordance with the local laws in which the Company is incorporated and are prepared for the sole purpose of the Consolidation of Ind AS financial statements of the Company with Ajanta.

The financial statements have been prepared on an accrual basis and under the historical cost basis, which have been measured at fair value or revalued amount wherever applicable.

The Financial Statement for the Company were authorised for issue by the Company's Board of Directors on 20 May, 2020.

3. Use of estimates and judgements:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and under lying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2020 are as follows:

Property, Plant and equipment

Determination of the estimated useful lives of tangible assets and the assessment as to which components of the cost may be capitalised. Useful lives of tangible assets are based on the life prescribed in Schedule II of the Act. In cases, where the useful lives are different from that prescribed in Schedule II, they are based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers' warranties and maintenance support.

Intangible Assets

Internal technical or user team assess the remaining useful lives of Intangible assets. Management believes that assigned useful lives are reasonable.

Allowance for uncollected accounts receivable and advances

Trade receivables do not carry any interest and are stated at their normal value as reduced by appropriate allowances for estimated irrecoverable amounts. Individual trade receivables are

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Ajanta Pharma USA Inc.

Notes to the Financial Statements as on 31 March 2020

written off when management deems them not collectible. Impairment is made on the expected credit loss model.

The impairment provisions for financial assets are based on assumption about risk of default and expected loss rates. Judgement in making these assumption and selecting the inputs to the impairment calculation are based on past history, existing market condition as well as forward looking estimates at the end of each reporting period.

Allowances for inventories

Management reviews the inventory age listing on a periodic basis. The review involves comparison of the carrying value of the aged inventory items with the respective net realizable value. The purpose is to ascertain whether an allowance is required to be made in the financial statement for any obsolete and slow-moving items. Management is satisfied that adequate allowance for obsolete and slow-moving inventories has been made in the financial statements

Recognition of deferred tax assets and income tax

Deferred tax asset is recognised for all the deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The management assumes that taxable profits will be available while recognising deferred tax assets.

Management judgment is required for the calculation of provision for income taxes and deferred tax assets and liabilities. The Company reviews at each balance sheet date the carrying amount of deferred tax assets. The factors used in estimates may differ from actual outcome which could lead to significant adjustment to the amounts reported in the financial statements.

Recognition and measurement of other provisions

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the balance sheet date. The actual outflow of resources at a future date may, therefore, vary from the figure included in other provisions.

Contingencies

Management judgement is required for estimating the possible outflow of resources, if any, in respect of contingencies/claim/litigations against the Company as it is not possible to predict the outcome of pending matters with accuracy.

Impairment reviews

An impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount. Recoverable amount is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. In calculating the value in use, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectations of growth in EBITDA, long term growth rates; and the selection of discount rates to reflect the risks involved

Amounts deducted from revenue for the projected chargeback, sales returns, rebates and Medicaid

The significant adjustments to the revenue are broadly explained below:

(a) A chargeback is a claim made by the wholesaler for the difference between the prices at which the product is initially invoiced to the wholesaler and the net price at which it is agreed to be

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Ajanta Pharma USA Inc.

Notes to the Financial Statements as on 31 March 2020

procured from the company. Provision for chargeback is calculated on the basis of historical experience and specific terms in the agreements

(b) Sales return is variable consideration that is recognised and recorded based on historical experience, market conditions and provided for in the year of sale as reduction from revenue. The methodology and assumptions used to estimate returns are monitored and adjusted regularly in line with trade practices, historical trends, past experience and projected market conditions.

(c) Provision for rebate is calculated on the basis of historical experience and specific terms in the agreements. Charge back, rebates, returns and medicaid payments are variable consideration that is recognised and recorded based on historical experience, market conditions and specific contractual terms. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in line with contractual and legal obligations, trade practices historical trends, past experience and projected market conditions.

(d) Following a decrease in the price of a product, the Company generally grants customers a "shelf stock adjustment" for a customer's existing inventory for the involved product. Provisions for shelf stock adjustments are determined at the time of the price decline or at the point of sale, if the impact of a price decline on the products sold can be reasonably estimated based on the customer's inventory levels of the relevant product.

4. Functional and Presentation Currency

These financial statements are presented in United States Dollars (USD) which is also the functional currency. All the amounts have been rounded off to the nearest USD, unless otherwise indicated.

5. Current / non-current classification

An entity shall classify an asset as current when-

- (a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- (b) it holds the asset primarily for the purpose of trading;
- (c) it expects to realise the asset within twelve months after the reporting period; or
- (d) the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when-

- (a) it expects to settle the liability in its normal operating cycle;
- (b) it holds the liability primarily for the purpose of trading;
- (c) the liability is due to be settled within twelve months after the reporting period; or
- (d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current.

Operating Cycle

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Ajanta Pharma USA Inc.

Notes to the Financial Statements as on 31 March 2020

An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as twelve months for the purpose of classification of its assets and liabilities as current and non-current.

6. Significant Accounting Policies

6.1 Property, Plant and Equipment

Property, Plant and Equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Depreciation is calculated on the straight-line method to write off the cost of assets, to their residual values over their estimated useful life as follows:

Particulars	Useful Life
Building	27.5 years
Furniture, Fixtures & Fittings	3-8 years
Computer Software's	5 years

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each end of reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the statement of profit or loss.

Intangible Assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the assets can be measured reliably.

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in Statement of profit and loss in the period in which the expenditure is incurred.

Software is amortised over their estimated useful life on straight line basis from the date they are available for intended use, subject to impairment test.

The amortisation period and the amortisation method for an intangible assets with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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Ajanta Pharma USA Inc.

Notes to the Financial Statements as on 31 March 2020

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

Impairment on non financial assets

The Company's non-financial assets other than 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 (i.e. corporate assets) 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.

The recoverable amount of a CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amounts of the other assets of the CGU (or group of CGUs) on a pro rata basis.

An impairment loss in respect of assets for which impairment loss has been recognized 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 amortization, if no impairment loss had been recognized.

6.2 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Classification

Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, on the basis of its business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

Initial Recognition and Measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent Measurement

For the purpose of subsequent measurement, financial assets are classified in two broad categories:

- Financial assets at fair value (FVTPL / FVTOCI)
- Financial assets at amortised cost

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Ajanta Pharma USA Inc.
Notes to the Financial Statements as on 31 March 2020

When assets are measured at fair value, gains and losses are either recognised in the statement of profit and loss (i.e. fair value through profit or loss (FVTPL)), or recognised in other comprehensive income (i.e. fair value through other comprehensive income (FVTOCI)).

Financial Assets measured at Amortised Cost (net of any write down for impairment, if any)

Financial assets are measured at amortised cost when asset is held within a business model, whose objective is to hold assets for collecting contractual cash flows and contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method less impairment, if any. The losses arising from impairment are recognised in the Statement of profit and loss.

Financial Assets measured at Fair Value through Other Comprehensive Income ("FVTOCI")

Financial assets under this category are measured initially as well as at each reporting date at fair value, when asset is held within a business model, whose objective is to hold assets for both collecting contractual cash flows and selling financial assets. Fair value movements are recognized in the other comprehensive income.

Financial Assets measured at Fair Value through Profit or Loss ("FVTPL"):

Financial assets under this category are measured initially as well as at each reporting date at fair value with all changes recognised in profit or loss.

Derecognition of Financial Assets

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or Company has transferred its rights to receive cash flows from the asset.

Impairment of Financial Assets

In accordance with Ind - AS 109, Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instruments and trade receivables.

Financial Liabilities

Classification

Company classifies all financial liabilities as subsequently measured at amortised cost or FVTPL.

Initial Recognition and Measurement

All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs.

Financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent Measurement

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Ajanta Pharma USA Inc.

Notes to the Financial Statements as on 31 March 2020

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

6.3 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the moving weighted average basis, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The comparison of cost and net realisable value is made on an item-by-item basis. The Company considers various factors like shelf life, ageing of inventories, product discontinuation, price changes and other factors which impact the company's business in determining the allowance for obsolete, non-saleable and slow, non-moving inventories. The company considers the above factor and adjusts the inventory provision to reflect its actual performance on actual basis. Goods in transit are valued at actual cost incurred up to the date of balance sheet.

6.4 Cash and cash Equivalents

Cash and Cash Equivalents comprise of cash on hand and cash at bank including fixed deposit/highly liquid investments with original maturity period of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6.5 Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flow from operating, investing and financing activities of the Company are segregated. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalent for the purpose of statement of cash flow.

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Ajanta Pharma USA Inc.

Notes to the Financial Statements as on 31 March 2020

6.6 Foreign Currency Transactions

Transactions in foreign currencies are translated into the Company's functional currency at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are not translated. Foreign currency exchange differences are generally recognised in the statement of profit and loss.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Financial Statements are recognised in the Statement of Profit and Loss in the period in which they arise. When a gain or loss on a non-monetary item is recognised in Other Comprehensive Income, any exchange component of that gain or loss is recognised in Other Comprehensive Income. Conversely, when a gain or loss on a non-monetary item is recognised in Statement of Profit and Loss, any exchange component of that gain or loss is recognised in Statement of Profit and Loss.

6.7 Revenue Recognition

Revenue recognition under Ind AS 115 (applicable from 1 April 2018)

Under Ind AS 115, the company recognized revenue when (or as) a performance obligation was satisfied, i.e. when 'control' of the goods underlying the particular performance obligation were transferred to the customer.

Further, revenue from sale of goods is recognized based on a 5-Step Methodology which is as follows:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligation in contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Company disaggregates revenue from contracts with customers by geography.

Sale of Goods

The Company applied Ind AS 115 using the modified retrospective approach.

Revenue is measured based on the transaction price adjusted for discounts and rebates, which is specified in a contract with customer. Revenue are net of estimated returns and taxes collected from customers.

Revenue from sale of goods is recognized at point in time when control is transferred to the customer and it is probable that consideration will be collected. Control of goods is transferred upon the shipment of the goods to the customer or when goods is made available to the customer.

The transaction price is documented on the sales invoice and payment is generally due as per agreed credit terms with customer.

The consideration can be fixed or variable. Variable consideration is only recognised when it is highly probable that a significant reversal will not occur.

Interest income is recognised on time proportion basis. Insurance and other claims are recognised as a revenue on certainty of receipt on prudent basis. Export benefits available under prevalent schemes are accounted to the extent considered receivable.

Dividend income is recognised when the Entity's right to receive the payment is established, which is generally when shareholders approve the dividend.

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Notes to the Financial Statements as on 31 March 2020

6.8 Employee Benefits

Short-term Benefits - The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given

by the Company to its employees include salaries and wages, social security contributions, Medicare contributions, and other non-monetary benefits. A liability is recognised for the amount expected to be paid; if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

Post-Employment Benefits - The Company provides a 401(k) retirement program for full-time employees who are 21 years of age or older. Eligible employees are entitled to participate in the company offered plan with an option to contribute up to the maximum 3% of annual base salary. For employees with an annual base salary above the annual compensation limits, as determined by the Federal Internal Revenue Service (Federal), the annual APUI contribution will be capped at 3% of the Federal allowed annual compensation limits. All contributions are 100% vested immediately to the employee.

Share-based compensation

Employees Stock Options Plans ("ESOPs"): The grant date fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The company recognizes compensation expense relating to share-based payments in net profit using fair-value in accordance with Ind AS 102, Share-Based Payment. The ESOPs (shares of holding company) are granted to the employees of the company.

Provisions (other than 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.

6.9 Borrowing Costs

Borrowing costs comprise of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Transaction costs are charged to statement of profit and loss as financial expenses over the term of borrowing.

6.10 Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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Notes to the Financial Statements as on 31 March 2020

Transition

Effective 1 April 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on 1 April 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the Group recorded the lease liability at the present value of the lease payments discounted at the generally accepted interest rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the generally accepted interest rate at the date of initial application. Comparatives as at and for the year ended 31 March, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our financial statements for year ended 31 March 2019.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset and a lease liability. The cumulative effect of applying the standard, was debited to retained earnings. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

The following is the summary of practical expedients elected on initial application:

1. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
2. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
3. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
4. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The difference between the lease obligation recorded as of 31 March 2019 under Ind AS 17 disclosed in financial statements and the value of the lease liability as of 1 April 2019 is primarily on account of inclusion of extension and termination options reasonably certain to be exercised, in measuring the lease liability in accordance with Ind AS 116 and discounting the lease liabilities to the present value under Ind AS 116.

The interest rate applied to lease liabilities as at April 1, 2019 is 5.50%.

6.11 Earnings Per Share

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

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Notes to the Financial Statements as on 31 March 2020

6.12 Income Taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in net profit in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted by the balance sheet date. Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

6.13 Dividends to Shareholders

Annual dividend distribution to the shareholders is recognised as a liability in the period in which the dividends are approved by the shareholders. Any interim dividend paid is recognised on approval by Board of Directors. Dividend payable is recognised directly in equity.

6.14 Provisions, Contingent Liabilities, Contingent Assets and Commitments

General

Provisions (legal and constructive) are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and those risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as Finance Cost. When some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- A present obligation arising from past events, when no reliable estimates is possible;
- A possible obligation arising from past events, unless the probability of outflow of resources is remote.

Contingent liabilities are not recognised but disclosed in the Financial Statements. Contingent assets are neither recognised nor disclosed in the Financial Statements.

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Notes to the Financial Statements as on 31 March 2020

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets and Non-cancellable operating lease.

Provisions, contingent liabilities, contingent assets and commitments are reviewed at each balance sheet date.

6.15 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date in accordance with Ind AS 113.

Financials Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value received from Bank.
- Mutual Funds are measured at fair values as per Net Asset Value (NAV).
- Employee Stock Option Plan (ESOP) at fair values as per Actuarial Valuation Report.

Fair value is the price that would be received to sell an asset or settle a liability in an ordinary transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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Notes to the Financial Statements as on 31 March 2020

6.16 Recent accounting pronouncements

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from 1 April 2020.



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Notes to the Financial Statements (Continued)
as at 31 March 2020

(Currency: USD)

7. Property, plant and equipment, capital work-in-progress, investment property and other intangible assets
7.1 Current Year

Particulars	Gross Block (Cost Or Deemed Cost)			Accumulated Depreciation/Amortization			Net Block 31 March 2020
	1 April 2019	Additions	Disposals	Adjustments	For the Year	Disposals	
A. Property, Plant and Equipment							
Freehold land	256,500	-	-	-	-	-	256,500
Buildings	362,461	-	-	-	12,855	-	375,316
Furniture and fixture	203,964	-	-	-	26,932	-	230,896
Total	822,925	-	-	-	39,787	-	862,712
B. Other intangible assets							
Computer software	-	164,367	-	-	13,697	-	178,064
Total	-	164,367	-	-	13,697	-	191,761
Total (A) + (B)	822,925	164,367	-	-	53,484	-	1,054,473
C. Intangible assets under development							
	47,728	226,855	-	-	-	164,367	47,728
Total Property, Plant and Equipment, Capital Work-in-Progress and Other Intangible Assets (A) + (B) + (C)							1,102,201

7.2 Previous Year

Particulars	Gross Block (Cost Or Deemed Cost)			Accumulated Depreciation/Amortization			Net Block 31 March 2019
	1 April 2018	Additions	Disposals	Adjustments	For the Year	Disposals	
A. Property, Plant and Equipment							
Freehold land	256,500	-	-	-	-	-	256,500
Buildings	362,461	-	-	-	13,180	-	375,641
Furniture and fixture	128,133	79,831	-	-	38,721	-	246,685
Total	743,094	79,831	-	-	51,901	-	874,826
B. Other intangible assets							
Computer software	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Total (A) + (B)	743,094	79,831	-	-	51,901	-	874,826
C. Intangible assets under development							
	-	-	-	-	-	-	-
Total Property, Plant and Equipment, Capital Work-in-Progress and Other Intangible Assets (A) + (B) + (C)							874,826

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Ajanta Pharma USA Inc

Notes to the Financial Statements (Continued)
as at 31 March 2020

(Currency: USD)

7 Right-of-use asset

7.3 Current Year

Particulars	Gross Block (Cost Or Revised Cost)				Accumulated Depreciation/Amortisation				Net Block		
	1 April 2019	Additions	Disposals	Adjustments	31 March 2020	1 April 2019	For the Year	Disposals	Adjustments	31 March 2020	31 March 2020
Leasehold properties (note 33)	726,830	-	-	-	726,830	-	167,730	-	-	167,730	559,100
Total	726,830	-	-	-	726,830	-	167,730	-	-	167,730	559,100

7.4 Previous Year

Particulars	Gross Block (Cost Or Revised Cost)				Accumulated Depreciation/Amortisation				Net Block		
	1 April 2019	Additions	Disposals	Adjustments	31 March 2020	1 April 2019	For the Year	Disposals	Adjustments	31 March 2020	31 March 2020
Leasehold properties (note 33)	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-

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Ajanta Pharma USA Inc

Notes to the Financial Statements (Continued)

as at 31 March 2020

(Currency: USD)

	31 March 2020	31 March 2019
8		
Deferred tax assets (net)		
The tax effects of significant temporary difference that resulted in deferred tax asset and liabilities and a description of that created these difference is given below: (refer note 38)		
Tax effect of items constituting - Deferred tax assets		
Leave Encashment	(A) 24,369	-
Provision for Loss Allowance	(B) 27,064	-
Guarantee Fees paid to holding company	(C) 6,573	-
Stock option	(D) 7,081	-
Tax effect of items constituting - Deferred tax liabilities		
Difference in tax base of property, plant and equipment	(E) 25,927	-
Deferred tax assets (net)	(A+B+C+D)-(E) 39,100	-
	<u>39,100</u>	<u>-</u>
9		
Inventories		
Stock-in-Trade	16,386,549	13,632,350
	<u>16,386,549</u>	<u>13,632,350</u>
10		
Trade receivables		
Unsecured, considered good unless otherwise stated		
-Trade receivables considered good	55,284,134	28,041,080
Less: Provision for		
-Trade receivables considered good	-	-
-Trade receivables credit impaired	140,555	-
	<u>140,555</u>	<u>-</u>
Total Trade receivables	55,143,579	28,041,080
	<u>55,143,579</u>	<u>28,041,080</u>
(There are no other trade receivables which have significant increase in credit risk. Refer note 32 for information about credit risk and market risk of trade receivables)		
The loss allowance on trade receivable has been computed on the basis of Ind AS 109, Financial Instruments which require such allowance to be made even for trade receivable considered good on the basis that credit risk exists even though it may be very low. The Company exposure to credit and currency risk and loss allowance related to trade receivable are disclosed in note 32)		
11		
Cash and cash equivalents		
Cash and cash equivalents		
Balance with banks - in current accounts	5,857,868	2,227,010
	<u>5,857,868</u>	<u>2,227,010</u>

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Notes to the Financial Statements (Continued)

as at 31 March 2020

(Currency: USD)

	31 March 2020	31 March 2019
12 Other current assets		
Advance to related parties	-	37,766
Prepaid expense	481,339	419,054
Advances to suppliers	4,553	-
Advances to employees	46	4,428
	<u>485,938</u>	<u>461,248</u>

	31 March 2020		31 March 2019	
	Number of Shares	USD	Number of Shares	USD
13 Equity share capital				
Authorised :				
Common Stocks of USD 100 each	10,000	1,000,000	10,000	1,000,000
Issued, Subscribed & Paid up :				
Common Stocks of USD 100 each fully Paid up	10,000	1,000,000	10,000	1,000,000

(a) Reconciliation of number of equity shares outstanding at the beginning and at the end of the year :

	31 March 2020		31 March 2019	
	Number of Shares	USD	Number of Shares	USD
Number of shares outstanding as at the beginning of the year	10,000	1,000,000	10,000	1,000,000
Add : Number of shares allotted as fully paid-up during the year	-	-	-	-
Less: Number of shares bought back during the year	-	-	-	-
Number of shares outstanding as at the end of the year	<u>10,000</u>	<u>1,000,000</u>	<u>10,000</u>	<u>1,000,000</u>

(b) Rights, preferences and restrictions attached to shares

The company has issued only one class of equity shares with voting rights having a par value of USD 100 per share.

The company have not declared any dividend.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company.

The distribution will be in proportion to the numbers of equity shares held by shareholders.

(c) Details of equity shareholders holding more than 5%

Name of Shareholder	31 March 2020		31 March 2019	
	Number of Shares	% holding	Number of Shares	% holding
Ajanta Pharma Ltd., India	10,000	100.00	10,000	100.00

(d) Shares reserved for issue under options	Nil	Nil	Nil	Nil
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Notes to the Financial Statements (Continued)

as at 31 March 2020

(Currency: USD)

	31 March 2020	31 March 2019
14 Other equity		
General reserve		
Balance at the beginning of the year	(1,567,902)	(1,567,902)
Add: Transferred from Statement of Profit & Loss	-	-
Balance as at the year end	<u>(1,567,902)</u>	<u>(1,567,902)</u>
Equity contribution from Holding Company		
Employee stock options		
Balance at the beginning of the year	-	-
Charge during the year	49,697	-
Balance as at the year end	<u>49,697</u>	<u>-</u>
Retained earnings		
Balance at the beginning of the year	4,006,660	2,907,320
Less: Transition impact of Ind AS 116 (Refer Note 33)	30,933	-
Restated balance as 1 April 2019	3,975,727	2,907,320
Profit for the year	2,064,404	1,099,340
Balance at the year end	<u>6,040,131</u>	<u>4,006,660</u>
Total other equity	<u>4,521,926</u>	<u>2,438,758</u>
15 Lease liabilities (non current)		
Lease liabilities (refer note 33)	431,982	-
	<u>431,982</u>	<u>-</u>
16 Borrowings (current)		
Working capital loans repayable on demand from banks (secured)	5,663,521	4,821,887
	<u>5,663,521</u>	<u>4,821,887</u>
16.1 The Company obtained a revolving loan facility on 12 December 2018. The Company has a credit limit up to \$ 6,000,000. As at 31 March 2020, the Company had an outstanding balance of \$ 5,663,521 on the revolving loan facility. The interest payable on the unpaid outstanding principal balance is equal to the London Interbank Offered Rate of Interest plus 2.30% (LIBOR + 2.30%). Interest is paid on monthly basis. The loan facility is fully repayable on demand.		
All the tangible and intangible assets of the Company are collateralized against the revolving line of credit facility availed. The revolving line of credit has been fully guaranteed by the Parent Company. The Company pays a guarantee commission to the Parent Company at 0.50 % of the total revolving line of credit limit. (refer note 36)		
17 Trade payables		
Trade payables to related party (refer note 36)	56,778,966	32,852,042
	<u>56,778,966</u>	<u>32,852,042</u>
18 Lease liabilities (current)		
Lease liabilities (refer note 33)	167,250	-
	<u>167,250</u>	<u>-</u>
19 Other financial liabilities (current)		
Sales return for expired goods (Refer note 34)	5,493,453	959,936
	<u>5,493,453</u>	<u>959,936</u>

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Notes to the Financial Statements (Continued)
as at 31 March 2020

(Currency: USD)

	31 March 2020	31 March 2019
20 Other current liabilities		
Others payables	5,023,101	2,333,263
	<u>5,023,101</u>	<u>2,333,263</u>
21 Current tax liabilities (net)		
Provision for tax (net of advance tax USD 981,864 (31 March 2019 USD 716,191))	259,731	650,227
	<u>259,731</u>	<u>650,227</u>

SAM

Ajanta Pharma USA Inc

Notes to the Financial Statements (Continued)

for the year ended 31 March 2020

(Currency: USD)

	31 March 2020	31 March 2019
22 Revenue from operations		
Sale of products		
Stock-in-Trade	71,137,310	41,769,674
	<u>71,137,310</u>	<u>41,769,674</u>
Reconciliation of revenue from operations with contracted parties:		
Contracted price	363,937,758	246,538,114
Adjustments		
- Chargeback, rebates and discounts	260,594,009	194,066,521
- Sales return	16,680,323	4,185,384
- Others	15,526,116	6,516,535
Sale of products	<u>71,137,310</u>	<u>41,769,674</u>
23 Purchase of stock-in-trade	62,844,226	35,209,774
24 Changes in inventories of finished goods, work-in-progress and stock-in-trade		
Inventories at the end of the year :		
Stock-in-trade	16,386,549	13,632,350
	(A) <u>16,386,549</u>	<u>13,632,350</u>
Inventories at the beginning of the year :		
Stock-in-trade	13,632,350	11,893,593
	(B) <u>13,632,350</u>	<u>11,893,593</u>
Total changes in inventories of finished goods, work-in-progress and stock-in-trade :	(B) - (A) <u>(2,754,199)</u>	<u>(1,738,757)</u>
25 Employee benefit expense		
Salaries, wages, bonus and allowances	3,093,447	2,715,350
Employee welfare expenses	465,648	354,677
Employee stock option expense (refer note 37)	49,697	-
Contribution to statutory funds (refer note 31)	177,550	164,657
	<u>3,786,342</u>	<u>3,234,684</u>
26 Finance costs		
Interest expenses	249,076	54,674
Interest on Lease liability (refer note 33)	41,677	-
Other borrowing cost*	36,177	20,021
* Includes Guarantee Commission of USD 30,174, (31 March 2019 : 9,144) (refer note 36)		
	<u>326,930</u>	<u>74,695</u>
27 Depreciation and amortisation expense		
Depreciation of property, plant and equipment (Refer note 7)	39,787	51,901
Amortisation of intangible assets (Refer note 7)	13,697	-
Depreciation of right-of-use assets (Refer note 7)	167,730	-
	<u>221,214</u>	<u>51,901</u>

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Ajanta Pharma USA Inc

Notes to the Financial Statements (Continued)
for the year ended 31 March 2020

(Currency: USD)

	31 March 2020	31 March 2019
28 Other Expenses		
Clearing and forwarding	3,578,002	2,098,676
Selling expenses	1,225,302	541,243
Insurance	246,311	228,732
Travelling expenses	196,954	156,870
Impairment loss on financial assets	140,555	-
Telephone, telex & postage	99,664	46,988
Legal and Professional Fees	48,579	67,735
Payment made to auditors		
- Audit fees	15,000	-
Repairs to others	5,694	21,438
Power and fuel	2,911	8,746
Rent (refer note 33)	-	151,464
Miscellaneous expenses	64,697	44,945
	<u>5,623,669</u>	<u>3,366,837</u>

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Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020

(Currency: USD)

29. Capital Management

Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to equity shareholders. The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. Company's target is to achieve a return on capital above 50%; in 2019-20 the return was 40% and in 2018-19 the return was 48%.

Company monitors capital using a ratio of 'adjusted net debt' to 'total equity'. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents and current investments. Adjusted equity comprises all components of equity.

Company's policy is to keep the ratio below 1.00 and its adjusted net debt to equity ratio at 31 March 2020 was as follows.

		USD	
Particulars		31 March 2020	31 March 2019
Total Borrowing		5,663,521	4,821,887
Less: cash and cash equivalents		5,857,868	2,227,010
Adjusted net debt	A	(194,347)	2,594,877
Equity	B	5,521,926	3,438,758
Adjusted net debt to Equity ratio	A/B	(0.04)	0.75

30. Earnings Per share (EPS):

The numerator and denominator used to calculate Basic and Diluted Earnings Per Share:

Particulars		31 March 2020	31 March 2019
Basic and diluted earnings per share:			
Profit attributable to Equity shareholders- for Basic EPS (USD)	A	2,064,404	1,099,339
Add: Dilutive effect on profit (USD)	B	Nil	Nil
Profit attributable to Equity shareholders for computing Diluted EPS (USD)	C=A-B	2,064,404	1,099,339
Weighted average number of equity shares outstanding - for basic eps	D	10,000	10,000
Add: Dilutive effect of option outstanding- Number of Equity Shares	E	Nil	Nil
Weighted average number of equity shares for diluted eps	F=D+E	10,000	10,000
Face value per equity share (USD)		100	100
Basic earnings per share (USD)	A/D	206.44	109.93
Diluted earnings per shares (USD)	C/F	206.44	109.93

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Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020

(Currency: USD)

31. Employee benefits

As required by Ind AS 19 'Employee Benefits', the Company offers its employees: Short-term employee benefits - These benefits include salaries and wages and other government contributions which are due within 12 months after the end of the period in which employee renders the related service. The Company's accrual on account of vacation liabilities amounted to USD 111,219 (31 March 2019 USD 98,126).

Retirement plan - The Company provides a 401(k) retirement program for full-time employees who are 21 years of age or older. Eligible employees are entitled to participate in the company offered plan with an option to contribute up the maximum 3% of annual base salary. For employees with an annual base salary above the annual compensation limits, as determined by the Federal Internal Revenue Service (Federal), the annual APUI contribution will be capped at 3% of the Federal allowed annual compensation limits. All contributions are 100% vested immediately to the employee. The company also provides a profit sharing contribution in to the 401(k) account which is discretionary. The total expense for employee retirement benefit plan including the profit sharing contribution for the year ended 31 March 2020 was USD 177,550 (31 March 2019 : USD 164,657).

32. Financial Instrument – fair values and risk management

Fair value measurements	USD	
	31 March 2020	31 March 2019
Financial instruments by category	Amortised Cost	Amortised Cost
Financial assets		
Trade receivables	55,143,579	28,041,080
Cash and cash equivalents	5,857,868	2,227,010
Total financial assets	61,001,447	30,268,090
Financial liabilities		
Lease liabilities	599,232	-
Borrowings	5,663,521	4,821,887
Other current financial liabilities	5,493,453	959,936
Trade payables	56,778,966	32,852,043
Total financial liabilities	68,535,172	38,633,866

There are no financial instruments classified as Fair Value through profit and loss and fair value through other comprehensive income. Fair value measurement of lease liabilities is not required.

A. Financial risk management

Company has exposure to following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020
(Currency: USD)

32. Financial Instrument – fair values and risk management (Continued)

Risk management framework

The Company's activities are exposed to financial risks. These risks include market risk, credit risks and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company through established policies and processes which are laid down to ascertain the extent of risks, setting appropriate limits and controls and continuous monitoring and compliance of the same.

i. Credit risk

Credit risk the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks other financial instruments.

Other financial assets

The Company limits its exposure to credit risks by depositing its cash only with financial institutions duly evaluated and approved by the Board of Directors.

Impairment:

The following table provides information about the exposure to credit risk and expected credit loss for trade receivables:

31 March 2020			
	Carrying amount	Weighted average loss rate	Loss allowance
Not due	55,042,220	0%	-
Past due upto 180 days	241,914	58%	140,555
Past due 181-365 days	-	0%	-
Past dues 366 - 730 days	-	0%	-
Past dues 731 - 1096 days	-	0%	-
More than 1096 days	-	0%	-
	55,284,134		140,555

31 March 2019			
	Carrying amount	Weighted average loss rate	Loss allowance
Not due	27,582,115	0%	-
Past due upto 180 days	458,965	0%	-
Past due 181-365 days	-	0%	-
Past dues 366 - 730 days	-	0%	-
Past dues 731 - 1096 days	-	0%	-
More than 1096 days	-	0%	-
	28,041,080		-

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Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020

(Currency: USD)

The above financial assets were not impaired as there had not been a significant change in credit quality and the amounts were still considered receivable based on the nature of the activity of the customer portfolio to which they belong and the type of the customers. There are no other classes of financial assets that are past due but not impaired except for Trade receivables as at 31 March 2020 and 31 March 2019.

Trade receivable

Company's credit risk is minimal. The trade receivables arise mainly from transactions with its approved customers. The maximum exposure to credit on these transactions is equal to the carrying amount of these financial instruments. Customers are subject to stringent financial, credit and legal verification process. In addition, trade receivable balances are monitored on an ongoing basis to ensure timely collections. Accordingly, the Company's exposure to bad debts is not significant.

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Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020

(Currency: USD)

32. Financial Instrument – fair values and risk management (Continued)

Trade receivable (Continued)

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The company does not hold collateral as security.

Expected credit loss assessment

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of loss (e.g. timeliness of payments, available press information etc.) and applying experienced credit judgement.

Exposures to customers outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. Historical trends of impairment of trade receivables do not reflect any significant credit losses. Given that the macroeconomic indicators affecting customers of the Company have not undergone any substantial change, the Company expects the historical trend of minimal credit losses to continue.

	31 March 2020	31 March 2019
Gross Carrying amount	55,248,134	28,041,080
Average Expected loss rate	0.25%	0.00%
Carrying amount of trade receivables (net of impairment)	55,143,579	28,041,080

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	31 March 2020	31 March 2019
Balance as at the beginning of the year	-	-
Impairment loss recognised (net)	140,555	-
Amounts written off	-	-
Balance as at the year end	140,555	-

The impairment loss at 31 March, 2020 related to several customers that have defaulted on their payments to the Company and are not expected to be able to pay their outstanding balances, mainly due to economic circumstances.

PKM

Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020

(Currency: USD)

32. Financial Instrument – fair values and risk management (Continued)

ii. Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Company's objective is to, at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The Company closely monitors its liquidity position and deploys a robust cash management system. Working capital requirements are adequately addressed by internally generated funds. Trade receivables are kept within manageable levels.

Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities over the next six months. The ratio of cash and cash equivalents and other highly marketable debt investments to outflows is 0.08 at 31 March 2020 (31 March 2019: 0.05).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

As at 31 March 2020	Carrying Amount	Contractual Cash Flows				
		Total	0-12 months	1-2 years	2-5 years	More than 5 years
Trade payables current	56,778,966	56,778,966	56,778,966	-	-	-
Borrowings current	5,663,521	5,663,521	5,663,521	-	-	-
Lease liabilities	599,232	599,232	167,250	176,450	255,532	-
Other current financial liabilities	5,493,453	5,493,453	5,493,453	-	-	-
Total	68,535,172	68,535,172	68,103,190	176,450	255,532	-

As at 31 March 2019	Carrying Amount	Contractual Cash Flows				
		Total	0-12 months	1-2 years	2-5 years	More than 5 years
Trade payables current	32,852,043	32,852,043	32,852,043	-	-	-
Borrowings current	4,821,887	4,821,887	4,821,887	-	-	-
Lease liabilities	-	-	-	-	-	-
Other current financial liabilities	959,936	959,936	959,936	-	-	-
Total	38,633,866	38,633,866	38,633,866	-	-	-

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Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020
(Currency: USD)

32. Financial Instrument – fair values and risk management (Continued)

iii. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Financial instruments affected by market risk include loans and borrowings, deposits, investments, and derivative financial instruments. The Company's exposure from market risks is primarily on account of interest rate risk.

a) Currency risk

The Company does not have foreign exchange risk as their entire dealings are in their local functional currency i.e., US Dollars.

b) Interest rate risk

Company's exposure to changes in interest rates relates primarily to the Company's short-term debt obligations. Fixed rate financial instruments are subject to fair value interest rate risk. The following table demonstrates the sensitivity analysis to a reasonably possible change in interest rates, with all other variable held constant, of the Company's profit before income tax. The estimates are based on the outstanding interest bearing liabilities of the Company with floating interest rate as at 31 March 2020 and 31 March 2019.

			USD
Year	Change in interest rate*	Effect on profit before tax	
31 March 2020	+1% / (-1%)	56,635 / (56,635)	
31 March 2019	+1% / (-1%)	48,218 / (48,218)	

* Holding all other variable constant

c) Price risk

Company does not have any exposure to price risk, as there is no equity investments.

33. Disclosure for leases:

The Company have taken a premise under operating lease. The lease is for a period of five year and renewable every year upon mutual consent of the parties. There are no contingent rents.

Transition

Effective 1 April 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on 1 April 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the generally accepted interest rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the generally accepted interest rate at the date of initial application. Comparatives as at and for the year ended 31 March 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended 31 March 2019.

Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020

(Currency: USD)

33. Disclosure for leases (Continued)

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of USD 726,830 and a lease liability of USD 757,763. The cumulative effect of applying the standard, amounting to USD 30,933 was debited to retained earnings, net of taxes. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

The following is the summary of practical expedients elected on initial application:

1. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
2. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
3. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
4. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The difference between the lease obligation recorded as of 31 March 2019 under Ind AS 17 disclosed under Note 24 of the 2019 Annual Report and the value of the lease liability as of 1 April 2019 is primarily on account of inclusion of extension and termination options reasonably certain to be exercised, in measuring the lease liability in accordance with Ind AS 116 and discounting the lease liabilities to the present value under Ind AS 116.

The interest rate applied to lease liabilities as at 1 April 2019 is 5.50%.

Right-of-use assets

	Land and Buildings USD	Total USD
Cost		
As at 1 April 2019	726,830	726,830
Additions	-	-
Disposals	-	-
Balance at 31 March 2020	726,830	726,830
Accumulated depreciation and impairment		
As at 1 April 2019	-	-
Depreciation	167,730	167,730
Impairment loss	-	-
Eliminated on disposals of assets	-	-
Balance at 31 March 2020	167,730	167,730
Carrying amounts		
As at 1 April 2019	726,830	726,830
Balance at 31 March 2020	559,100	559,100

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Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020

(Currency: USD)

Cash outflow on leases

Particulars	31 March 2020
	USD
Cash outflow on leases	(200,208)
Total cash outflow on leases	(200,208)

Maturity analysis

Particulars	Less than 1 year USD	Over 1 years USD	Weighted average effective interest rate %
31 March 2020			
Lease liabilities	167,250	431,982	5.50%

Impact of changes in accounting policies

The following table provides the extract of impacts of adopting Ind AS 116 on the financial statements

i. Statement of financial position

1 April 2019	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
USD			
Right-of-use assets	-	726,830	726,830
Total assets	-	726,830	726,830
Lease liabilities	-	757,763	757,763
Total liabilities	-	757,763	757,763
Retained earnings	-	(30,933)	(30,933)
Total equity	-	(30,933)	(30,933)

ii. Statement of profit or loss and OCI

For the year ended 31 March 2020	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
USD			
Lease expenses	200,208	(200,208)	-
Depreciation	53,484	167,730	221,214
Financing cost on leases	-	41,677	41,677
Loss/(Profit)	253,692	9,199	262,891

Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020

(Currency: USD)

iii. Statement of cash flow

For the year ended 31 March 2020	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
USD			
Profit	1,889,128	-	1,889,128
Adjustments for:			
Finance costs recognised in profit or loss	-	41,677	41,677
Depreciation and amortisation of non-current assets	-	167,730	167,730
Net cash from operating activities	1,889,128	209,407	2,098,535
Payment of lease liabilities	-	(200,208)	(200,208)
Net cash from financing activities	-	(200,208)	(200,208)

The following table provides extract of effect on both basic and diluted earnings per share

For the year ended 31 March 2020	Increase/ (decrease) in profit for the year attributable to owners of the Company	Increase/ (decrease) in basic earnings per share	Increase/ (decrease) in diluted earnings per share
	USD	USD per share	USD per share
Changes in accounting policies relating to:			
- adoption of Ind AS 116	(9,199)	(0.92)	(0.92)

Reconciliation between operating lease commitments disclosed in March 2019 financials applying Ind AS 17 and lease liabilities recognised in the balance sheet

Particulars	Amount in USD
Operating lease commitments disclosed in March 2019 financials (under Ind AS 17)	874,026
Less: Discounting impact	(116,263)
Lease liabilities recognised in the statement of financial position as at 1 April 2019	757,763

34. Sales return for expired goods

Particulars	USD	
	31 March 2020	31 March 2019
Balance at the beginning of the year	959,936	1,804,157
Add: Provisions made during the year	7,397,663	881,194
Less: Amount written back/utilized during the year	2,864,146	1,725,415
Balance at the end of the year	5,493,453	959,936

35. Contingent Liabilities and commitments:

There are no contingent liabilities and commitments by the Company.

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Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020

(Currency: USD)

36. Related party disclosure as required by Ind AS 24 are given below:

A) Relationships:

Category I – Holding Company & Fellow Subsidiary

Ajanta Pharma Ltd., India (Holding Company)

Category II - Directors, Key Management Personnel & their Relatives:

Dr. Ramesh Jhawar Director (APUI)

B) Following transactions were carried out with related parties:

Sr. No.	Particulars	Category	USD	
			31 March 2020	31 March 2019
1.	Purchase of Goods:			
	Ajanta Pharma Ltd., India	I	62,044,226	35,209,774
2.	Key Management Compensation:			
	Short Term Employee Benefits			
	Dr. Ramesh Jhawar	II	450,000	421,500
3.	Re-imbursment from Ajanta Pharma Ltd., India	I	817,230	1,242,944
4.	Commission paid to Ajanta Pharma Ltd.	I	30,174	9,144
5.	Employee stock option	I	49,697	Nil

C) Amount outstanding as on 31 March 2020

Sr. No.	Particulars	Category	USD	
			31 March 2020	31 March 2019
1.	Trade Payable :			
	Ajanta Pharma Ltd., India	I	56,778,966	32,852,042

37. Share based payments

The Holding Company has established "Employees Stock Options Scheme 2011" ('ESOS – 2011') as approved in earlier year by the shareholders of the Company and Compensation committee of Board of Directors for the key employees of the Company. The options issued under the above scheme vest in a phased manner.

The Holding Company in 2019 introduced a compensation scheme, to award the scheme participants (including employees of the Company), options of the holding Company based on the grant letter provided to such employees. The options have a graded vesting schedule with the vesting date and exercise price. Each option under the grants will be convertible to one share of the holding Company and will be convertible into equity shares only. As per the plan, holder of vested options are entitled to purchase one equity share of holding Company of Rs 2 each for every option at an exercise price of Rs 2.

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Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020

(Currency: USD)

37. Share based payments (Continued)

During the year 500 options have been granted by the Company under the aforesaid Share based Incentive Plan 2019 to the employees of the Company.

Grant Date	No. of option Granted	No. of Option Cancelled	Exercise Price	Vesting Period
27 September 2019	500	Nil	2	22 August 2021

The options are granted at an exercise price which is in accordance with the relevant SEBI guidelines in force, at the time of such grants. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of ₹ 2/- each. The particulars of the options under ESOS 2011 and Share based Incentive Plan 2019 are as under:

Particulars	31 March 2020	31 March 2019
	Nos.	Nos.
Options outstanding as at the beginning of the Year*	11,500	14,000
Add: Options granted during the Year	500	6,000
Less: Options exercised during the Year	6,500	6,500
Less: Options lapsed/cancelled during the Year	-	2,000
Options outstanding as at the Year End	5,500	11,500

* During the current year, holding company has reimbursed cost pertaining to options of earlier years

Particulars	31 March 2020	Range of Exercise Prices (₹)	Weighted Average Exercise Prices (₹)	Weighted Average Contractual life (Years)
	Nos.			
Options outstanding as at the beginning of the year	11,500	2.0	2.0	0.9
Add: Options granted during the year	500	2.0	2.0	2.0
Less: Options exercised during the year	6,500	2.0	2.0	NA
Less: Options lapsed/cancelled during the year	-	-	-	-
Options outstanding as at the year end	5,500	2.0	2.0	0.7

Particulars	31 March 2019	Range of Exercise Prices (₹)	Weighted Average Exercise Prices (₹)	Weighted Average Contractual life (Years)
	Nos.			
Options outstanding as at the beginning of the Year	14,000	2.0	2.0	1.0
Add: Options granted during the Year	6,000	2.0	2.0	2.0
Less: Options Exercised during the Year	6,500	2.0	2.0	NA
Less: Options lapsed/cancelled during the Year	2,000	-	-	-
Options outstanding as at the Year End	11,500	2.0	2.0	0.9

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Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020
(Currency: USD)

37. Share based payments (Continued)

Description of the method and significant assumptions used during the year to estimate the fair values of the options, including the following weighted average information:

Variables Plan	Weighted Average Information ESOS 2011 / Share Based Incentive Plan 2019				
	6,000 option	9,000 option	2,000 option	6,000 option	500 option
Grant date	26 July 2016	26 July 2016	22 August 2017	31 October 2018	27 September 2019
Last date for acceptance	26 August 2016	26 August 2016	22 September 2017	30 November 2018	22 August 2021
Risk free rate (%)	7.3	7.3	7.5	7.4	5.2
Expected Life (years)	3 to 4	1 to 3	1 to 4	2	2
Volatility (%)	20.23	20.23	17.2	13.43	13.74
Dividend yield (%)	0.53	0.53	0.43	0.5	0.55
Price of the underlying share in the market at the time of option grant (₹)	1,478	1,702	1,153	1,058	1,055
Fair value of options (₹)	1,453	1,453	1,142	1,043	1,041
Exercise price (₹)	2	2	2	2	2

Valuation of stock options

The fair value of stock options granted during the period has been measured using the Black-Scholes option pricing model at the date of the grant. The Black-Scholes option pricing model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates. The key inputs and assumptions used are as follows:

Share price: The closing price on NSE as on the date of grant has been considered for valuing the options granted.

Exercise Price: Exercise Price is the market price or face value or such other price as determined by the Remuneration and Compensation Committee.

Expected Volatility: The historical volatility of the stock till the date of grant has been considered to calculate the fair value of the options.

Expected Option Life: Expected Life of option is the period for which the Company expects the options to be live. The minimum life of a stock option is the minimum period before which the options cannot be exercised and the maximum life is the period after which the options cannot be exercised.

Expected dividends: Expected dividend yield has been calculated as an average of dividend yields for four years preceding the date of the grant.

Risk free interest rate: The risk free interest rate on the date of grant considered for the calculation is the interest rate applicable for a maturity equal to the expected life of the options based on the zero coupon yield curve for Government Securities.

AW

Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020

(Currency: USD)

37. Share based payments (Continued)

These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of the Company's control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in future periods, stock based compensation expense could be materially impacted in future years. The estimated fair value of stock options is charged to income on a straight-line basis over the requisite service period of each separately vesting portion of the award as if the award was, in-substance, multiple awards.

38. Income Tax

Income tax (expense) / benefit recognized in the income statement consists of the following:		
	31 March 2020	31 March 2019
a. Current tax		
Current tax on profit for the year	514,051	329,813
Adjustment for current tax of prior periods	(650,227)	141,387
Total Current Tax expenses	(136,176)	471,200
Deferred tax expense/(benefit)		
Origination and reversal of timing difference	(39,100)	-
Total Deferred Tax expenses	(39,100)	-
Total income tax recognised in the income statement	(175,276)	471,200
b. Reconciliation of effective tax rate		
	31 March 2020	31 March 2019
Accounting profit before income taxes	1,889,128	1,570,539
Enacted tax rate in USA*	21%	21%
Computed expected tax (benefit) / expenses	396,717	329,813
Adjustment for current tax of prior periods	(650,227)	141,387
Expenses that are not deductible in determining taxable profit	6,174	-
Expenses not deducted in books but allowed for tax purpose	(20,245)	-
State Taxes	16,590	-
Effect of instating opening balance of deferred tax	(1,785)	-
Effect of instating opening balance of current tax	77,500	-
Income tax expenses	(175,276)	471,200
Effective tax rate	-9%	30%

*The tax rate used for the above reconciliation is the corporate tax rate applicable to the Company under tax laws of United States of America.

SKY

Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020

(Currency: USD)

38. Income Tax (Continued)

c. Recognised deferred asset and liability	Deferred tax asset		Deferred tax liabilities		Net deferred tax asset/(liabilities)	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	Property ,Plant and equipment	-	-	25,927	-	(25,927)
Leave Encashment	24,369	-	-	-	24,369	-
Provision for Loss Allowance	27,004	-	-	-	27,004	-
Guarantee Fees paid to holding company	6,573	-	-	-	6,573	-
Stock option	7,081	-	-	-	7,081	-
Net deferred tax asset/(liabilities)	65,027	-	25,927	-	39,100	-

d. Movement in deferred tax balances 31 March 2020	Net balance as on 1 April 2019	Recognised in Profit and loss	Net	Deferred tax asset	Deferred tax liabilities
Property ,Plant and equipment	-	(25,927)	(25,927)	-	(25,927)
Leave Encashment	-	24,369	24,369	24,369	-
Provision for Loss Allowance	-	27,004	27,004	27,004	-
Guarantee Fees paid to holding company	-	6,573	6,573	6,573	-
Stock option	-	7,081	7,081	7,081	-
Net deferred tax asset/(liabilities)	-	39,100	39,100	65,027	(25,927)

d. Movement in deferred tax balances 31 March 2019	Net balance as on 1 April 2018	Recognised in Profit and loss	Net	Deferred tax asset	Deferred tax liabilities
Property ,Plant and equipment	-	-	-	-	-
Leave Encashment	-	-	-	-	-
Provision for Loss Allowance	-	-	-	-	-
Guarantee Fees paid to holding company	-	-	-	-	-
Stock option	-	-	-	-	-
Net deferred tax asset/(liabilities)	-	-	-	-	-

39. Comparative numbers for previous years are as audited by a firm of Chartered Accountant other than B S R & Co. LLP.

BSR

Ajanta Pharma USA Inc
Notes to the Financial Statements (Continued)
for the year ended 31 March 2020
(Currency: USD)

40. Impact of COVID – 19 (Global pandemic)

The extent of the impact of COVID 19 outbreak on operations of the Company will depend on future developments, including the duration and spread of the outbreak, related advisories and restrictions, Government actions, the impact on financial markets and the overall economy, all of which are highly uncertain and can't be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Company's operations may be affected. However, the Company does not expect that the outbreak will have material adverse effect on operations or financials results at this time.

41. The Company has one segment of activity namely "Pharmaceuticals".

In terms of our report attached

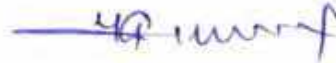
For **B S R & Co. LLP**
Chartered Accountants
Firm Registration No: 101248W/W-100022



Sreeja Marar
Partner
Membership No: 111410

Mumbai
20 May 2020

For and on behalf of Board of Directors of
Ajanta Pharma USA Inc.



Yogesh M. Agrawal
Director
DIN : 00073673

Mumbai
20 May 2020



G. R. MODI & CO.

Chartered Accountants

12, Laxminarayan Shopping Center, 1st Floor, Poddar Road, Malad (E), Mumbai - 400097
Tel No. 91-22-28884274 - 28819304 Fax No. 91-22-28819304 email : swapnil@modiconsultancy.com

Independent Auditor's Report

To the Members of Ajanta Pharma (Mauritius) Ltd.(Consolidated)

Report on the Consolidated Financial Statements

The accounts of AJANTA PHARMA MAURITIUS LTD and AJANTA PHARMA MAURITIUS INTERNATIONAL LTD. are being audited under the local laws of the country by the statutory auditor for the period 1st Jan 2019 to 31st December 2019. Financial Statements of AJANTA PHARMA MAURITIUS LTD. consolidated with Ajanta Pharma Mauritius International Ltd for the period 1st April 2019 to 31st March 2020. The holding company Ajanta Pharma Limited (India) follows the period 1st April 2019 to 31st March 2020. In order to consolidate the accounts of Ajanta Pharma Mauritius Ltd (**Consolidated**) with that of the holding company, we have been appointed by the management of the company to audit the reinstated accounts of AJANTA PHARMA MAURITIUS LTD. (**Consolidated**) for the period 1st April 2019 to 31st March 2020 under the companies Act in accordance with generally accepted accounting principles in India (Ind AS).

Opinion

We have audited the accompanying Consolidated Ind AS financial statements of AJANTA PHARMA MAURITIUS LTD. (**CONSOLIDATED**) ("the Company") (hereinafter referred to as the 'Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), comprising of the Consolidated Balance Sheet as at 31st March 2020, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Cash Flow Statement, for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Ind AS financial statements") prepared in accordance with group accounting policies followed by Ajanta Pharma Ltd. These Consolidated financial statements have been prepared solely to enable Ajanta Pharma Ltd. to prepare its consolidated financial statements.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated 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, 2020, and profit/loss, 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 Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Companies Act, 2013 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Management's Responsibility for the Consolidated Ind AS 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 Consolidated financial statements that give a true and fair view of the financial position, financial performance, and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 statement 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 is 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.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process in accordance with the group accounting policies followed by Ajanta.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated 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.



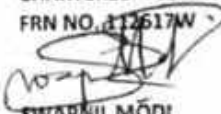
Report on Other Legal and Regulatory Requirements

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, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid Consolidated 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 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- (g) 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:
- The Company does not have any pending litigations which would impact its financial position;
 - The Company has not entered into any long-term contracts including derivative contracts, requiring provision under the applicable law or accounting standards, for material foreseeable losses; and
 - There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.



FOR G R MODI & CO
CHARTERED ACCOUNTANTS
FRN NO. 112617W


SWAPNIL MODI
(PARTNER.)
M NO. 107574

Mumbai
8th May 2020
UDIN : 20107574AAAABA1146

Annexure - A to the Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of AJANTA PHARMA MAURITIUS LTD. (**Consolidated**) ("the Company") as of 31 March 2020 in conjunction with our audit of the Consolidated financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting 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 ('ICAI'). 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 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 Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 over financial reporting was 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 controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, including the assessment of the risks of material misstatement of the Consolidated 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 system over financial reporting.



Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting 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 consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 Over Financial Reporting

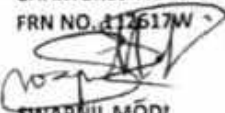
Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2020, based on the internal control over financial reporting 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.


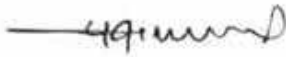


FOR G R MODI & CO
CHARTERED ACCOUNTANTS
FRN NO. 412617W


SWAPNIL MODI
(PARTNER.)
M NO. 107574

Mumbai
8th May 2020

UDIN : 20107574AAAAABA1146

Ajanta Pharma (Mauritius) Limited			
Consolidated Balance Sheet			
as at 31 March 2020			
	Note	31-Mar-20 Rs. in Lacs	31-Mar-19 Rs. in Lacs
Assets			
Non-current assets			
Property, plant and equipment	8	658.91	614.88
Right to use assets	8	85.80	-
Financial assets			
Investments	9	1,227.20	1,298.76
Other financial assets	10	22.69	24.15
Total non-current assets		1,994.60	1,937.80
Current assets			
Inventories	11	377.78	477.23
Financial assets			
Trade receivables	12	3,290.68	3,543.04
Cash and cash equivalents	13	2,907.71	4,121.24
Other current assets	14	2,490.60	1,564.02
Total current assets		9,066.78	9,705.53
Total assets		11,061.38	11,643.33
Equity And Liabilities			
Equity			
Equity share capital	15	943.81	943.81
Other Equity	16	8,895.45	9,760.17
Total equity		9,839.26	10,703.98
Liabilities			
Non current liabilities			
Lease liability	17	89.79	-
Current liabilities			
Other current liabilities	18	1,132.32	939.35
Total current liabilities		1,132.32	939.35
Total equity and liabilities		11,061.38	11,643.33
Significant accounting policies			
The note referred to above form part of an Consolidated financial statement			
As per our report of even date attached			
In terms of our report attached			
 <p>FOR G R MODI & CO CHARTERED ACCOUNTANTS FRN NO. 413617W SWARNIL MODI (PARTNER.) M NO. 107574</p>		<p>For and on behalf of Board of Directors of Ajanta Pharma (Mauritius) Limited</p> <p></p> <p>Yogesh M. Agrawal Director</p>	
Mumbai, 8 May, 2020		Mumbai, 8 May, 2020	
UDIN : 20107574AAAABA1146			

Ajanta Pharma (Mauritius) Limited			
Consolidated Statement of Profit and Loss			
for the year ended 31 March 2020			
	Note	31-Mar-20 Rs. In Lacs	31-Mar-19 Rs. In Lacs
Income			
Revenue from operations	19	31,537.79	25,904.05
Other income	20	885.28	(124.79)
Total income		32,423.06	25,779.25
Expenses			
Cost of materials consumed	21	410.93	312.04
Purchase of stock-in-trade	22	10,308.48	6,954.79
Changes in inventories of finished goods/work-in-progress/stock-in-trade	23	(12.29)	1,084.47
Employee benefits expenses	24	658.17	732.48
Finance costs	25	9.01	-
Depreciation and amortisation expense	26	108.42	62.76
Other expenses	27	12,691.83	11,618.52
Total expenses		24,174.54	20,765.06
Profit before tax		8,248.52	5,014.20
Tax expense			
Current tax		391.42	133.91
Deffered tax		-	-
Profit for the year		7,857.10	4,880.29
Other comprehensive income / (loss)			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(316.92)	(30.20)
Income tax relating to items that will be reclassified to profit or loss		-	-
Net other comprehensive income / (loss) to be reclassified subsequently to profit or loss		(316.92)	(30.20)
Other comprehensive income / (loss) for the year, net of tax		(316.92)	(30.20)
Total comprehensive income / (loss) for the year		7,540.18	4,850.09
Earning per equity share (Basic & Diluted) (Face value MUR100/-)	29	1,280.09	795.11
Significant accounting policies			
The note referred to above form part of an Consolidated financial statement			
As per our report of even date attached			
In terms of our report attached			
 <p>FOR G R MODI & CO CHARTERED ACCOUNTANTS FRN NO. 812617W SWAPNIL MODI (PARTNER.) M NO. 107574</p>		<p>For and on behalf of Board of Directors of Ajanta Pharma (Mauritius) Limited</p> <p></p> <p>Yogesh M. Agrawal Director</p>	
Mumbai, 8 May, 2020		Mumbai, 8 May, 2020	
UDIN : 20107574AAAABA1146			

Ajanta Pharma (Mauritius) Limited			
Statement of Consolidated Cash flow for the year ended 31 March 2020		(₹ in Laacs)	
		31 March 2020	31 March 2019
A. Cash flow from operating activities			
Profit before tax		8,248.52	5,014.20
Adjustment for			
Depreciation and amortisation expense		108.42	62.76
Finance costs		9.01	-
Unrealised foreign exchange difference		(316.92)	(30.20)
Operating cash flow before working capital changes		8,049.03	5,046.76
Changes in working capital			
Decrease / (increase) in trade and other receivables		252.35	2,637.42
Decrease / (increase) in other non current assets		1.46	(2.08)
Decrease / (increase) in other current assets		(926.58)	(415.85)
Decrease / (increase) in inventories		99.45	1,188.45
Increase / (decrease) in other current liabilities		192.98	(442.59)
Cash generated from operations		7,668.69	8,012.12
Net income tax paid		(391.42)	(133.91)
Net cash generated from operating activities		7,277.27	7,878.21
B. Cash flow from investing activities			
Capital expenditure on property, plant and equipment including capita		(109.54)	(66.34)
Capital expenditure on right to use asset		(128.70)	-
Purchase of non-current investments		71.56	(541.41)
Net cash used in investing activities		(166.68)	(607.75)
C. Cash flow from financing activities			
Repayment of lease liability (including interest thereon)		89.79	-
Interest paid		(9.01)	-
Dividend paid		(8,404.90)	(6,097.55)
Net cash used in financing activities		(8,324.11)	(6,097.55)
Net increase / (decrease) in cash and cash equivalents		(1,213.53)	1,172.91
Cash and cash equivalents as at the beginning of the year		4,121.24	2,948.33
Cash and cash equivalents as at the end of the year		2,907.71	4,121.24

Figures in brackets indicates outflow

Note:

- The above Cash Flow Statement has been prepared under 'Indirect Method' as set out in Accounting Standard 7 (Ind AS - 7) "Statement of Cash Flow" under Section 133 of the Companies Act 2013.
- Cash comprises cash on hand, current accounts and deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition).

Significant accounting policies

The note referred to above form part of an Consolidated financial statement

As per our report of even date attached

In terms of our report attached



FOR G R MODI & CO
CHARTERED ACCOUNTANTS
FRN NO. 117617W
SWAPNIL MODI
(PARTNER.)
M NO. 107574

Mumbai, 8 May, 2020

UDIN - 20107574AAAABA1146

For and on behalf of Board of Directors of
Ajanta Pharma (Mauritius) Limited

Yogesh M. Agrawal

Director

Mumbai, 8 May, 2020

Ajanta Pharma (Mauritius) Ltd.
Consolidated Statement of Changes in Equity for the year ended 31 March 2020

A. Equity Share Capital		₹ in Lacs	
	Balance as at 1 April 2019	Changes in equity share capital during the year	Balance as at 31 March 2020
Authorised:	1,494.30		1,494.30
Issued:	943.81		943.81
Subscribed & Paid up:	943.81		943.81

B. Other Equity		₹ in Lacs								
Particulars	Capital Redemption Reserve	Securities Premium Account	General Reserve	Share Based Payment Reserve	Retained Earnings	Foreign Currency Translation Reserve	Other items of other comprehensive income	Total	Non-Controlling Interests	Total Equity
As at 1 April 2018	-	-	7,489.42	-	3,303.64	214.57	-	11,007.63	-	11,007.63
Profit for the period	-	-	-	-	4,880.29	-	-	4,880.29	-	4,880.29
Other comprehensive Income	-	-	-	-	-	(30.20)	-	(30.20)	-	(30.20)
Total comprehensive Income	-	-	-	-	4,880.29	(30.20)	-	4,850.09	-	4,850.09
Transfer to General reserve	-	-	-	-	-	-	-	-	-	-
Dividend Paid	-	-	-	-	(6,097.55)	-	-	(6,097.55)	-	(6,097.55)
At 31 March 2019	-	-	7,489.42	-	2,086.38	184.37	-	9,760.17	-	9,760.17
Profit for the period	-	-	-	-	7,857.10	-	-	7,857.10	-	7,857.10
Other comprehensive Income	-	-	-	-	-	(316.92)	-	(316.92)	-	(316.92)
Total comprehensive Income	-	-	-	-	7,857.10	(316.92)	-	7,540.18	-	7,540.18
Dividend Paid	-	-	-	-	(8,404.90)	-	-	(8,404.90)	-	(8,404.90)
At 31 March 2020	-	-	7,489.42	-	1,538.58	(132.55)	-	8,895.45	-	8,895.45

See accompanying notes forming part of the financial statements.

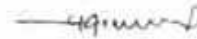
In terms of our report attached

FOR G R MODI & CO
CHARTERED ACCOUNTANTS
FIN NO. 817617M
G R MODI
(PARTNER)
M NO. 107574

Partner

Mumbai, 8 May, 2020
UDIN : 20107574AAAABA1146

For and on behalf of Board of Directors of Ajanta Pharma (Mauritius) Limited



Yogesh M. Agrawal
Director

Ajanta Pharma (Mauritius) Limited

Notes to the Consolidated Financial Statements as on 31 March 2020

1. Corporate Information

Ajanta Pharma (Mauritius) Ltd. is a limited liability company incorporated and domiciled in Mauritius and is a wholly owned subsidiary of Ajanta Pharma Ltd., India. The address of its registered office is located at BPML Building, Royal Road, Goodlands, Mauritius. The Consolidated Financial statement ("CFS") comprises the Company and its subsidiary (referred to collectively as the "Group").

The Group is primarily involved in manufacturing and marketing of speciality pharmaceutical quality finished dosages.

The Consolidated Financial Statements were authorised for issue by the Company's Board of Directors on 8 May, 2020.

2. Basis of Preparation

These consolidated financial statements have been prepared in all material aspects in accordance with the recognition & measurement principles laid down in Indian Accounting Standards (hereinafter referred to as the 'Ind AS') read with Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015 as amended and other relevant provisions of the Act and accounting principles generally accepted in India.

These financial statements have been prepared on an accrual basis and under the historical cost basis, which have been measured at fair value or revalued amount wherever applicable.

3. Basis of Consolidation

These consolidated financial statements comprise the financial statement of the Company and its wholly owned subsidiary Ajanta Pharma Mauritius (Int'l) Ltd. The financial statements of the Company and its wholly owned subsidiary have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, incomes and expenses after eliminating intra-group balances, intra-group transactions and unrealised profits resulting there from and are presented to the extent possible, in the same manner as the Group's independent financial statements. The statement of profit and loss and each component of other comprehensive income are attributed to the equity holders of the Company.

These consolidated financial statements of the Company and its wholly owned subsidiary have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. The financial statements of the subsidiaries used in consolidation are drawn up to the same reporting date as that of the Company i.e., year ended 31 March 2020.

4. Functional and Presentation Currency:

Functional Currency of the Company is Mauritian Rupee (MUR). These financial statements are prepared & presented in Indian Rupees (INR) as it is the functional currency of the Holding Company.

5. Rounding of Amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lacs.

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Notes to the Consolidated Financial Statements as on 31 March 2020

6. Current versus non-current classification:

The assets and liabilities in the balance sheet are presented based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle, or
 - Held primarily for the purpose of trading, or
 - Expected to be realised within twelve months after the reporting period, or
 - Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- All other assets are classified as Non-Current.

A liability is current when it is:

- Expected to be settled in normal operating cycle, or
 - Held primarily for the purpose of trading, or
 - Due to be settled within twelve months after the reporting period, or
 - There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.
- All other liabilities are treated as Non-Current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

Operating Cycle

Based on the nature of products / activities of the Group and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

7. Significant Accounting Policies

7.1 Property, Plant and Equipment

Property, Plant and Equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Depreciation is calculated on the straight line method to write off the cost of assets, to their residual values over their estimated useful life as follows:

Particulars	Useful Life
Leasehold Improvement	20 years
Furniture, Fixtures & Fittings	2 to 6 years
Office Equipments	2 to 4 years
Plant & Machinery	5 to 20 years
Motor Vehicles	5 years

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each end of reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the statement of profit or loss.

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Notes to the Consolidated Financial Statements as on 31 March 2020

7.2 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Classification

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, on the basis of its business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

Initial Recognition and Measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent Measurement

For the purpose of subsequent measurement, financial assets are classified in two broad categories:

- Financial assets at fair value (FVTPL / FVTOCI)
- Financial assets at amortised cost

When assets are measured at fair value, gains and losses are either recognised in the statement of profit and loss (i.e. fair value through profit or loss (FVTPL)), or recognised in other comprehensive income (i.e. fair value through other comprehensive income (FVTOCI)).

Financial Assets measured at amortised cost (net of any write down for impairment, if any)

Financial assets are measured at amortised cost when asset is held within a business model, whose objective is to hold assets for collecting contractual cash flows and contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method less impairment, if any. The losses arising from impairment are recognised in the Statement of profit and loss.

Financial Assets measured at Fair Value through Other Comprehensive Income ("FVTOCI")

Financial assets under this category are measured initially as well as at each reporting date at fair value, when asset is held within a business model, whose objective is to hold assets for both collecting contractual cash flows and selling financial assets. Fair value movements are recognized in the other comprehensive income.

Financial Assets measured at Fair Value through Profit or Loss ("FVTPL")

Financial assets under this category are measured initially as well as at each reporting date at fair value with all changes recognised in profit or loss.

Investment in Equity Instruments

Equity instruments which are held for trading are classified as at FVTPL. All other equity instruments are classified as FVTOCI. Fair value changes on the instrument, excluding dividends,

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are recognised in the other comprehensive income. There is no recycling of the amounts from other comprehensive income to profit or loss.

Investment in Debt Instruments

A debt instrument is measured at amortised cost or at FVTOCI. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVOCI, is classified as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the Statement of profit and loss.

Derecognition of Financial Assets

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset.

Impairment of Financial Assets

In accordance with Ind - AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instruments and trade receivables.

Financial Liabilities

Classification

The Group classifies all financial liabilities as subsequently measured at amortised cost or FVTPL.

Initial Recognition and Measurement

All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs.

Financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent Measurement

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

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Derivative Financial Instrument

The Group uses derivative financial instruments, such as forward currency contracts to mitigate its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

7.3 Inventories

Raw materials and packing materials are valued at lower of cost (on moving weighted average basis) and net realisable value, cost of which includes duties and taxes. Cost of imported raw materials and packing materials lying in bonded warehouse includes the amount of customs duty. Finished products including traded goods and work-in-progress are valued at lower of cost and net realisable value. Cost is arrived at on moving weighted average basis.

The cost of Inventories have been computed to include all cost of purchases, cost of conversion, appropriate share of fixed production overheads based on normal capacity and other related cost incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Slow and non-moving material, obsolesces, defective inventory are fully provided for and valued at net realisable value.

Goods and materials in transit are valued at actual cost incurred up to the date of balance sheet. Materials and other items held for use in production of inventories are not written down, if the finished products in which they will be used are expected to be sold at or above cost.

7.4 Cash And Cash Equivalents

Cash and Cash Equivalents comprise of cash on hand and cash at bank including fixed deposit/highly liquid investments with original maturity period of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalent for the purpose of statement of cash flow.

7.5 Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flow from operating, investing and financing activities of the Group are segregated.

7.6 Foreign Currency Transactions

Revenue Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing on the date of the transaction.

Monetary items denominated in foreign currencies at the year-end are re-measured at the exchange rate prevailing on the balance sheet date. Non-monetary foreign currency items are carried at cost.

Any income or expense on account of exchange difference either on settlement or on restatement is recognised in the Statement of Profit and Loss.

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7.7 Revenue Recognition

The Group recognises revenue to depict the transfer of promised goods or services to customers. In accordance with Ind-AS 115 Revenue from Contracts with Customers, the Group recognises revenue by applying the following five steps:

- Step 1: Identify the contract(s) with a customer

The Group applies the revenue recognition model to each contract with a customer once it is probable the entity will collect the consideration to which it will be entitled. Contracts for this purpose may be written, verbal or implied by customary business practices, but must be enforceable and have commercial substance. In evaluating whether collection is probable, the Group considers only the customer's ability and intention to pay the consideration when due.

- Step 2: Identify the performance obligations in the contract

Once the contract has been identified, the Group evaluates the terms and customary business practices to identify which promised goods or services should be accounted for as separate performance obligations. The key determinant for identifying a separate performance obligation is whether a good or service, or a bundle, is distinct. A good or service is distinct if the customer can benefit from the good or service on its own or together with other readily available resources and the good or service is separately identifiable from other promises in the contract. The Group treats each distinct good or service as a separate performance obligation.

- Step 3: Determine the transaction price

The transaction price is the amount of consideration to which an entity expects to be entitled and includes:

-An estimate of any variable consideration determined using either a probability-weighted expected value or the most likely amount, whichever better predicts the amount of consideration to which the Group will be entitled

-The effect of the time value of money, if there is a financing component that is significant to the contract

-The fair value of any non-cash consideration

- Step 4: Allocate the transaction price to the performance obligations in the contract

The Group usually allocates transaction price to each separate performance obligation on a relative stand-alone selling price basis. When determining stand-alone selling prices, the Group uses observable information, if it is available. If stand-alone selling prices are not directly observable, the Group estimates such prices based on reasonably available information, e.g., adjusted market assessment approach or an expected cost plus a margin approach. Only when the stand-alone selling price of a good or service is highly variable or uncertain, the Company use residual approach for allocation.

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group determines whether it satisfies performance obligation by transferring control of a promised good or service over time or at a point in time to the customer. A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case, it is satisfied over time:

-The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs

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-The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced

The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue from sale of goods is recognised, when all significant risks and rewards are transferred to the buyer, as per the terms of contracts and no significant uncertainty exists regarding amount of the consideration that will be derived from the sale of goods.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the extent that buyer, usually on delivery of goods, it is probable that the economic benefits will flow to the Group, the associated costs and possible return of goods can be estimated reliably, there is neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold and the amount of and the revenue can be reliably measured, regardless of when the payment is being made reliably. The Group is principal in all of its revenue arrangements, since it is the primary obligor in all of the revenue arrangements, as it has pricing latitude and is exposed to inventory and credit risks.

Provisions for chargeback, rebates and discounts are estimated and provided for in the year of sales and recorded as reduction of revenue.

Revenue is measured at the fair value of the consideration received or receivable. Amount disclosed as revenue are inclusive of Excise Duty, excluding Goods and Service Tax (GST), Sales Tax or Value Added Taxes or Service Taxes or Duties collected on behalf of the government, and net of amounts collected on behalf of third parties.

When the financing element is significant, the Group adjusts the transaction price for the time value of money. The objective, when adjusting the consideration for a significant financing component, is to recognise revenue at the cash selling price.

Revenue from sale of technology / know how (rights, licences and other intangibles) are recognised when performance obligation is completed as per the terms of the agreement. Incomes from services are recognised when services are rendered.

Interest income is recognised on time proportion basis. Insurance and other claims are recognised as a revenue on certainty of receipt on prudent basis. Export benefits available under prevalent schemes are accounted to the extent considered receivable.

Dividend income is recognised when the Entity's right to receive the payment is established, which is generally when shareholders approve the dividend.

7.8 Employee Benefits

All employee benefits payable wholly within twelve months rendering service are classified as short term employee benefits. Benefits such as salaries, wages, short-term compensated absences, performance incentives etc. and the expected cost of bonus, ex-gratia are recognised during the period in which the employee renders related service.

(i) Defined contribution plans

Contributions to defined contribution plans are recognised as expense when employees have rendered services entitling them to such benefits.

The Group pays Social Security Cost as per local regulations. The Group has no further payment obligations once the contributions have been paid. The contributions are accounted

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for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

For employees who are not covered by a pension plan, the net present value of severance allowances payable under the Employment Rights Act 2008 is provided for. The obligations arising under this item are not funded.

(ii) Share-based compensation

The Group has no share based compensation plan.

7.9 Borrowing Costs

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 capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

7.10 Lease

The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (1) the contract involves the use of an identified asset (2) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the generally accepted interest rate. Lease

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liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

Transition

Effective April 1, 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the generally accepted interest rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the generally accepted interest rate at the date of initial application. Comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended March 31, 2019.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of ₹128.70 Lacs and a lease liability of ₹128.70 Lacs. The cumulative effect of applying the standard, amounting to ₹Nil Lacs was debited to retained earnings, net of taxes. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

The following is the summary of practical expedients elected on initial application:

- a. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
- b. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
- c. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- d. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The difference between the lease obligation recorded as of March 31, 2019 under Ind AS 17 disclosed under Note 21 of the 2019 Annual Report and the value of the lease liability as of April 1, 2019 is primarily on account of inclusion of extension and termination options reasonably certain to be exercised, in measuring the lease liability in accordance with Ind AS 116 and discounting the lease liabilities to the present value under Ind AS 116.

The interest rate applied to lease liabilities as at April 1, 2019 is 7%.

7.11 Earnings Per Share

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Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

7.12 Income Taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in net profit in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

7.13 Dividends to Shareholders

Annual dividend distribution to the shareholders is recognised as a liability in the period in which the dividends are approved by the shareholders. Any interim dividend paid is recognised on approval by Board of Directors. Dividend payable is recognised directly in equity.

7.14 Provisions, Contingent Liabilities, Contingent Assets and Commitments

General

Provisions (legal and constructive) are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions (excluding retirement benefits and compensated absences) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

If there is any expectation that some or all of the provision will be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any virtually certain reimbursement.

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If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- A present obligation arising from past events, when no reliable estimates is possible;
- A possible obligation arising from past events, unless the probability of outflow of resources is remote.

Contingent liabilities are not recognised but disclosed in the Financial Statements. Contingent assets are neither recognised nor disclosed in the Financial Statements.

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets and Non-cancellable operating lease.

Provisions, contingent liabilities, contingent assets and commitments are reviewed at each balance sheet date.

Asset Retirement Obligation

Asset retirement obligations (ARO) are provided for those operating lease arrangements where the Company has a binding obligation at the end of the lease period to restore the leased premises in a condition similar to inception of lease. ARO are provided at the present value of expected costs to settle the obligation using discounted cash flows and are recognised as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is recognised in the income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

7.15 Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date in accordance with Ind AS 113.

Financials Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value received from Bank.
- Mutual Funds are measured at fair values as per Net Asset Value (NAV).
- Employee Stock Option Plan (ESOP) at fair values as per Actuarial Valuation Report.

Fair value is the price that would be received to sell an asset or settle a liability in an ordinary transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

7.16 Recent accounting pronouncements

Standards issued but not yet effective

7.17 Critical accounting judgements, estimates and assumptions

The preparation of the Group's financial statements 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. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities in future periods.

(a) Arrangement containing lease

At the inception of an arrangement, the Group determines whether the arrangement is or contains a lease. At the inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for the other elements on the basis of their relative fair values.

The Group has determined, based on an evaluation of the terms and conditions of the arrangements that such contracts are in the nature of operating leases.

(b) Multiple element contracts with vendors

The Group has entered into multiple element contracts with vendors for supply of goods and rendering of services. The consideration paid is/may be determined independent of the value of supplies received and services availed. Accordingly, the supplies and services are accounted for based on their relative fair values to the overall consideration. The supplies with finite life under the contracts (as defined in the significant accounting policies) have been accounted under Property, Plant and Equipment and/or as Intangible assets, since the Group has economic ownership in these assets. The Group believes that the current treatment represents the substance of the arrangement.

(c) Determination of functional currency

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Notes to the Consolidated Financial Statements as on 31 March 2020

Each entity in the group determines its own functional currency (the currency of the primary economic environment in which the entity operates) and items included in the financial statements of each entity are measured using that functional currency. Ind AS 21, "The Effects of Changes in Foreign Exchange Rates" prescribes the factors to be considered for the purpose of determination of functional currency. Management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(d) Property, Plant and equipment

Determination of the estimated useful life of tangible assets and the assessment as to which components of the cost may be capitalized. Useful life of tangible assets is based on the life of useful lives/rates prescribed by the GAAPs of the respective countries. Assumptions also need to be made, when the Company assesses, whether an asset may be capitalised and which components of the cost of the asset may be capitalised.

(e) Intangible Assets

Internal technical or user team assess the remaining useful lives of Intangible assets. Management believes that assigned useful lives are reasonable.

(f) Recognition and measurement of defined benefit obligations

The obligation arising from the defined benefit plan is determined on the basis of actuarial assumptions. Key actuarial assumptions include discount rate, trends in salary escalation and vested future benefits and life expectancy. The discount rate is determined with reference to market yields at the end of the reporting period on the government bonds. The period to maturity of the underlying bonds correspond to the probable maturity of the post-employment benefit obligations.

(g) Recognition of deferred tax assets and income tax

Deferred tax asset is recognised for all the deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The management assumes that taxable profits will be available while recognising deferred tax assets.

Management judgment is required for the calculation of provision for income taxes and deferred tax assets and liabilities. The Company reviews at each balance sheet date the carrying amount of deferred tax assets. The factors used in estimates may differ from actual outcome which could lead to significant adjustment to the amounts reported in the financial statements.

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective country.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can

Ajanta Pharma (Mauritius) Limited

Notes to the Consolidated Financial Statements as on 31 March 2020

be recognised, based upon the likely timing and the level of future taxable profits, future tax planning strategies and recent business performances and developments.

(h) Recognition and measurement of other provisions

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the balance sheet date. The actual outflow of resources at a future date may, therefore, vary from the figure included in other provisions.

(i) Contingencies

Management judgement is required for estimating the possible outflow of resources, if any, in respect of contingencies/claim/litigations against the Group as it is not possible to predict the outcome of pending matters with accuracy.

(j) Allowance for uncollected accounts receivable and advances

Trade receivables do not carry any interest and are stated at their normal value as reduced by appropriate allowances for estimated irrecoverable amounts. Individual trade receivables are written off when management seems them not collectible. Impairment is made on the expected credit losses, which are the present value of the cash shortfall over the expected life of the financial assets.

The impairment provisions for financial assets are based on assumption about risk of default and expected loss rates. Judgement in making these assumption and selecting the inputs to the impairment calculation are based on past history, existing market condition as well as forward looking estimates at the end of each reporting period.

(k) Insurance claims

Insurance claims are recognised when the Group has reasonable certainty of recovery.

(l) Impairment reviews

An impairment exists when the carrying value of an asset or cash generating unit ('CGU') exceeds its recoverable amount. Recoverable amount is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. In calculating the value in use, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectations of growth in EBITDA, long term growth rates; and the selection of discount rates to reflect the risks involved.

Ajanta Pharma (Mauritius) Limited											
Notes to the Consolidated Financial Statements (Continued)											
8 Property, Plant and Equipment											
8.1 Current Year											
Particulars	Gross Block (Cost or Deemed cost)				Accumulated Depreciation/Amortisation						Net Block
	As at 01 April 2019	Additions	Disposals	Exchange Difference	As at 31 March 2020	As at 01 April 2019	For the Year	Disposals	Exchange Difference	As at 31 March 2020	As at 31 March 2020
Property, Plant and Equipment											
Leasehold Improvement	115.66	0.17	-	-	115.82	79.67	0.20	-	-	79.88	35.95
Plant & Machinery	1,492.66	82.78	-	-	1,575.45	1,032.87	40.17	-	-	1,073.04	502.41
Furniture & fixture	128.28	4.34	-	-	132.62	92.52	6.81	-	-	99.33	33.24
Office Equipment	325.55	14.00	-	-	339.55	308.32	2.47	-	-	310.79	28.76
Vehicles	143.55	8.23	-	-	151.80	77.43	15.87	-	-	93.30	58.50
Total	2,205.70	109.54	-	-	2,315.25	1,590.82	65.52	-	-	1,656.34	658.91
Other Intangible Assets											
Right to use	-	128.70	-	-	128.70	-	42.90	-	-	42.90	85.80
Total Intangible Assets	-	128.70	-	-	128.70	-	42.90	-	-	42.90	85.80
Total											744.70
8.2 Previous Year											
Particulars	Gross Block (Cost or Deemed cost)				Accumulated Depreciation/Amortisation						Net Block
	As at 01 April 2018	Additions	Disposals	Exchange Difference	As at 31 March 2019	As at 01 April 2018	For the Year	Disposals	Exchange Difference	As at 31 March 2019	As at 31 March 2019
Property, Plant and Equipment											
Leasehold Improvement	115.66	-	-	-	115.66	78.44	0.23	-	-	79.67	35.98
Plant & Machinery	1,484.09	8.57	-	-	1,492.66	995.72	37.15	-	-	1,032.87	459.79
Furniture & fixture	117.65	10.63	-	-	128.28	86.41	6.11	-	-	92.52	35.76
Office Equipment	319.80	5.75	-	-	325.55	307.30	1.02	-	-	308.32	17.23
Vehicles	115.50	41.39	13.34	-	143.55	72.52	18.25	13.34	-	77.43	66.12
Total	2,152.70	66.34	13.34	-	2,205.70	1,541.39	62.76	13.34	-	1,590.82	614.88

Ajanta Pharma (Mauritius) Limited					
Notes to the Consolidated Financial Statements (Continued)					
as at 31 March 2020					
			31-Mar-20	31-Mar-19	
			Rs. In Lacs	Rs. In Lacs	
9	Investments (non current)				
	Investment at Fair Value through statement of Profit or Loss				
	In Mutual Funds (Quoted)				
		Face Value ₹	No. of Units *		
	Kotak Fixed Term Fund XII Segregated Portfolio	332	-		234.12
			(70,412)		
	Greenland Global Fund - Sub Fund A - Class B RPS - Series B	86,269	450	388.21	324.98
			(450)		
	Silverdale Fund SP-1	10,154	8,263	838.99	739.66
			(8,263)		
			1,227.20		1,298.76
10	Other Non-Current Financial Assets				
	(Unsecured, Considered Good unless otherwise stated)				
	Security Deposits		22.69		24.15
			22.69		24.15
11	Inventories				
	Raw materials		115.12		208.09
	Packing materials		60.18		73.63
	Work-in-process		64.42		50.22
	Finished goods		101.48		53.33
	Stock-in-trade		36.62		91.96
			377.78		477.23
12	Trade Receivables				
	(Unsecured, considered good unless otherwise stated)				
	-Considered good		3,290.68		3,543.04
			3,290.68		3,543.04
13	Cash and cash equivalents				
	Cash on Hand		0.67		1.49
	Balance with Banks - In current accounts		2,907.05		4,119.75
			2,907.71		4,121.24
14	Other Current Assets				
	Advances to Related Parties (APL)		2,261.18		1,045.53
	Advances to Employees		229.42		518.48
	Advances to Suppliers		-		-
			2,490.60		1,564.02

Ajanta Pharma (Mauritius) Limited					
Notes to the Consolidated Financial Statements (Continued)					
15	Equity Share Capital				
		31-Mar-20		31-Mar-19	
		Number of Shares	Rs. In Lacs	Number of Shares	Rs. In Lacs
	Authorised:				
	Ordinary Shares of MUR 100 each	1,000,000	1,494.30	1,000,000	1,494.30
	Issued, Subscribed & Paid up:				
	Ordinary Shares of MUR 100 each fully paid up:	613,791	943.81	613,791	943.81
	(a) Reconciliation of number of equity shares outstanding at the beginning and at the end of the year:				
		31-Mar-20		31 March 2019	
		Number of Shares	Rs. Lacs	Number of Shares	Rs. Lacs
	Number of shares outstanding as at the beginning of the year	613,791	943.81	613,791	943.81
	Add: Number of shares allotted as fully paid-up during the year	-	-	-	-
	Less: Number of shares bought back during the year	-	-	-	-
	Number of shares outstanding as at the end of the year	613,791	943.81	613,791	943.81
	(b) Rights, preferences and restrictions attached to shares				
	The company has issued only one class of ordinary shares with voting rights having a par value of MUR100 per share.				
	During the year ended 31 March 2020, amount per share of dividend recognised as distributions to equity shareholders was MUR 711.28 per equity share (Pr. Yr. MUR 514.13 per equity share).				
	In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company. The distribution will be in proportion to the numbers of equity shares held by shareholders.				
	(c) Details of equity shareholders holding more than 5%				
	Name of Shareholder	31-Mar-20		31 March 2019	
		Number of Shares	% Holding	Number of Shares	% Holding
	Ajanta Pharma Ltd., India	613,791	100.00	613,791	100.00
	(d) Shares reserved for issue under options	Nil	Nil	Nil	Nil
16	OTHER EQUITY				
	General Reserve				
	Balance at the beginning of the year		7,489.42		7,489.42
	Add: Transferred from Statement of Profit & Loss		-		-
			7,489.42		7,489.42
	Exchange Fluctuation Reserve		(132.55)		164.37
	Surplus in the Statement of Profit and Loss				
	Balance at the beginning of the year		2,086.38		1,301.64
	Profit for the year		7,857.10		4,880.29
	Less: Appropriations				
	Dividend Paid on Equity Shares		8,404.90		5,097.55
	Transferred from retained earnings		-		-
	Balance at the year end		1,538.58		1,086.38
	Total Other Equity		8,895.45		9,760.17

Ajanta Pharma (Mauritius) Limited				
Notes to the Consolidated Financial Statements (Continued)				
			31-Mar-20	31-Mar-19
			Rs. In Lacs	Rs. In Lacs
17	Lease liability			
	Lease liability		89.79	-
			89.79	-
18	Other Current Liabilities			
	Other Payables		1,132.32	939.35
			1,132.32	939.35
19	Revenue from Operations			
	Sale of Products			
	Finished Goods		1,841.67	2,707.84
	Stock-in-Trade		29,696.12	23,196.22
			31,537.79	25,904.06
20	Other Income			
	Exchange Difference (Net)		731.60	-
	Gain from Mutual Fund Investment		152.07	(135.07)
	Miscellaneous Income		1.60	10.28
			885.28	(124.79)
21	Cost of Material Consumed			
	Raw Material consumed			
	Opening Stock		205.19	306.32
	Add : Purchases		256.40	368.94
			461.59	475.26
	Less: Closing Stock		116.58	208.09
	Raw Material Consumed		345.01	267.17
	Packing Material Consumed			
	Opening Stock		72.61	79.38
	Add : Purchases		54.24	39.12
			126.84	118.50
	Less: Closing Stock		60.93	73.63
	Packing Material Consumed		65.93	44.88
			410.93	312.04
22	Purchase of Stock-In-Trade		10,308.48	6,954.79
23	Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade			
	Inventories at the end of the year :			
	Work-In-Process		65.24	90.27
	Finished Goods		102.75	53.33
	Stock-in-trade		37.08	91.96
		(A)	205.08	195.57
	Inventories at the beginning of the year :			
	Work-In-Process		49.52	28.01
	Finished Goods		52.59	108.29
	Stock-in-trade		90.68	1,143.68
		(B)	192.79	1,279.98
	Total changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade :			
	Work-In-Process		(15.72)	(22.21)
	Finished Goods		(50.16)	54.96
	Stock-in-Trade		53.60	1,051.73
	Total changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade	(B) - (A)	(12.29)	1,084.47
24	Employee Benefit Expenses			
	Salaries, Wages, Bonus and Allowances		639.45	713.57
	Contribution to Provident and Other Funds		12.57	11.71
	Staff Welfare Expenses		8.14	7.20
			658.17	732.48
25	Finance Cost			
	On lease liability		9.01	-
			9.01	-
26	Depreciation			
	Depreciation of Tangible Assets (Refer note 4)		65.52	62.76
			65.52	62.76
27	Other Expenses			
	Selling Expenses		12,089.34	10,815.39
	Clearing and Forwarding		228.72	391.31
	Travelling Expenses		175.48	202.15
	Power and Fuel		21.78	23.22
	Rent		0.80	46.29
	Telephone, Telex & Postage		9.95	5.56
	Repairs to Machinery		17.92	23.14
	Insurance		4.84	13.01
	Exchange Difference (Net)		-	92.40
	Corporate Social Responsibility Expenses		9.17	28.19
	Miscellaneous Expenses		133.84	177.86
			12,691.83	11,618.52

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Notes to the Consolidated Financial Statements for the year ended 31 March 2020

28. Capital Management

Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to equity shareholders. The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. Group's target is to achieve a return on capital above 30%; in 2019-20 the return was 84% and in 2018-19 the return was 47%.

Group monitors capital using a ratio of 'adjusted net debt' to 'adjusted equity'. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents and short term investments. Adjusted equity comprises all components of equity.

Group's policy is to keep the ratio below 1.00 and its adjusted net debt to equity ratio at 31 March 2020 was as follows.

Particulars		₹ in Lacs	
		31 March 2020	31 March 2019
Debt (Debt + Current Liabilities)		1,132.32	939.35
Less: Cash and Cash equivalents		2,907.71	4,121.24
Net Debt	A	(1,775.39)	(3,181.90)
Equity	B	9,839.26	10,703.98
Net Debt to Equity ratio	A/B	-	-

29. Earnings Per share (EPS):

The numerator and denominator used to calculate Basic and Diluted Earnings per Share:

Particulars		31 March 2020	31 March 2019
Basic and Diluted Earnings Per Share:			
Profit attributable to Equity shareholders- for Basic EPS (₹ in Lacs)	A	7,857.10	4,880.29
Add: Dilutive effect on profit (₹ in Lacs)	B	Nil	Nil
Profit attributable to Equity shareholders for computing Diluted EPS (₹ in Lacs)	C=A-B	7,857.10	4,880.29
Weighted Average Number of Equity Shares outstanding - for Basic EPS	D	6,13,791	6,13,791
Add: Dilutive effect of option outstanding- Number of Equity Shares	E	Nil	Nil
Weighted Average Number of Equity Shares for Diluted EPS	F=D+E	6,13,791	6,13,791
Face Value per Equity Share (MUR)		100	100
Basic Earnings Per Share (₹)	A/D	1,280.09	795.11
Diluted Earnings Per Shares (₹)	C/F	1,280.09	795.11

30. Employee Benefits

As required by Ind AS 19 'Employee Benefits', the Group offers its employees Social Security Cost and Severance Allowance. During the year, the Group has recognised the following amounts in the account:

Particulars	₹ in Lacs	
	31 March 2020	31 March 2019
Social Security Cost	12.26	14.45
Severance Allowance	6.58	6.26
Total	18.84	20.71

Ajanta Pharma (Mauritius) Limited

Notes to the Consolidated Financial Statements for the year ended 31 March 2020

For employees who are not covered by a pension plan, the net present value of severance allowances payable is provided for under the Employment Rights Act. It has been assumed that the rate of future salary increases will be equal to the discount rate.

31. Financial Instrument – fair values and risk management

Fair value measurements	₹ in Lacs			
	31 March 2020		31 March 2019	
Financial Instruments by category	FVTPL	Amortised Cost	FVTPL	Amortised Cost
Financial Assets				
Investment in Mutual Funds	1,227.20		1,298.76	
Trade Receivables		3,290.68		3,543.04
Other Non-Current Financial Assets		22.69		24.15
Cash and cash equivalents		2,907.71		4,121.24
Total Financial Assets	1,227.20	6,221.08	1,298.76	7,688.43
Financial Liabilities				
Other Current Financial Liabilities		1,132.32		939.35
Total Financial Liabilities		1,132.32		939.35

Fair Value Hierarchy	₹ in Lacs					
	31 March 2020			31 March 2019		
	Level			Level		
Financial assets and liabilities measured at fair value	I	II	III	I	II	III
Financial assets						
Non recurring fair value measurement						
Investment in Mutual Funds	1,227.20	-	-	1,298.76	-	-
Trade Receivables	-	-	3,290.68	-	-	3,543.04
Other Non-Current Financial Assets	-	-	22.69	-	-	24.15
Cash and cash equivalents	-	-	2,907.71	-	-	4,121.24
Total Financial Assets	1,227.20	-	6,221.08	1,298.76	-	7,688.43
Financial Liabilities						
Other Current Financial Liabilities	-	-	1,132.32	-	-	939.35
Total Financial Liabilities	-	-	1,132.32	-	-	939.35

Level 1 – The hierarchy in level 1 includes financial instruments measured using quoted prices. This includes mutual funds that have quoted price. 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 (like forward contracts) 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 required to fair value as 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. This is the case for unlisted equity securities, etc. included in level 3.

A. Financial risk management

Group has exposure to following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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Notes to the Consolidated Financial Statements for the year ended 31 March 2020

Risk management framework

Group's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the Company's risk management policies, under the guidance of Audit Committee.

Group's risk management policies are established to identify and analyse the risks faced by it, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. Group, through its training and procedures aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

Group's Audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

i. Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables).

Summary of the Company's exposure to credit risk by age of the outstanding from various customers is as follows:

Particulars	₹ in Lacs	
	31 March 2020	31 March 2019
Not past due but impaired	-	-
Not past due not impaired	-	-
Past due not impaired	3,290.68	3,543.04
- 1-180 days	3,230.02	3,342.69
- 181-365 days	60.66	-
- more than 365 days	-	200.35
Past due impaired	-	-
- 1-180 days	-	-
- 181-365 days	-	-
- more than 365 days	-	-

a) Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Trade receivables, which are non-interest bearing, are mainly from stockists, distributors and customers. Except for, one large client, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The group does not hold collateral as security. The group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate in largely independent markets.

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Notes to the Consolidated Financial Statements for the year ended 31 March 2020

b) Financial instruments

Company limits its exposure to credit risk by investing only in liquid debt securities issued by mutual funds having a credit ranking of at least 3 and above from CRISIL or equivalent rating agency. Company monitors changes in credit risk by tracking published external credit ranking. Based on its on-going assessment of counterparty risk, the Company adjusts its exposure to various counterparties.

ii. Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Group's objective is to, at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The Group closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including bilateral loans, debt and overdraft from banks at an optimised cost. Working capital requirements are adequately addressed by internally generated funds. Trade receivables are kept within manageable levels.

iii. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Financial instruments affected by market risk include loans and borrowings, deposits, investments, and derivative financial instruments. Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. All transactions are carried out within the guidelines set by the risk management committee.

The sensitivity analysis have been prepared on the basis of derivatives and the proportion of financial instruments in foreign currencies are all constant. The analysis excludes the impact of movements in market variables on the carrying value of postemployment benefit obligations, provisions and on the non-financial assets and liabilities. The sensitivity of the relevant income statement item is the effect of the assumed changes in the respective market risks. This is based on the financial assets and financial liabilities held as of 31 March 2020 and 31 March 2019.

a) Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated. The currencies in which these transactions are primarily denominated are US Dollars, Euro and Mauritian Rupee.

The Group does not have any policy to hedge against foreign currency exposure. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The following table analyses foreign currency risk as of 31 March 2020 and 31 March 2019:

Particulars	₹ in Lacs	
	31 March 2020	31 March 2019
Bank Balances	2,907.71	4,121.24
Trade Receivables	3,290.68	3,543.04
Other Current Assets	2,490.60	1,564.02
Net Assets / (Liabilities)	8,688.99	9,228.30

Ajanta Pharma (Mauritius) Limited

Notes to the Consolidated Financial Statements for the year ended 31 March 2020

For the year ended 31 March 2020 and 31 March 2019, every percentage point depreciation / appreciation in the exchange rate between the MUR and respective currencies has affected the Group's incremental profit before tax as per below:

Year	Change in currency exchange rate	₹ in Lacs
		Effect on profit before tax
31 March 2020	+5% / (-5%)	277.59 / (277.59)
31 March 2019	+5% / (-5%)	229.43 / (229.43)

32. Note on foreign currency exposures on assets and liabilities:

During the year, the Group has not entered into Forward Exchange Contract. The year-end foreign currency exposures that have not been mitigated by a derivative instrument or otherwise are as below:

Particulars	₹ in Lacs		Foreign Currency Amt in Lacs		Foreign Currency
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	
Amount Receivable	5,551.86	4,588.57	67.00	59.08	EURO

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is Nil as there are no borrowings in the Group.

c) Price risk

Group does not have any exposure to price risk, as there is no equity investments by group.

33. Disclosure for operating leases under Ind AS 116 - "Leases":

The Group have taken various premises under operating lease. These are generally cancellable and ranges from 11 months to 5 years and are renewable by mutual consent on mutually agreeable terms. Some of these lease agreements have price escalation clauses. There are no restrictions imposed by lease arrangements and there are no sub leases. There are no contingent rents. The lease payments of ₹ 0.80 Lacs (Previous Year ₹ 46.29 Lacs) are recognised in Statement of Profit and Loss under "Rent" under Note 21.

Transition

Effective April 1, 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the generally accepted interest rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the generally accepted interest rate at the date of initial application. Comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended March 31, 2019.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of ₹128.70 Lacs and a lease liability of ₹128.70 Lacs. The cumulative effect of applying the standard, amounting to ₹Nil Lacs was debited to retained earnings, net of taxes. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

The following is the summary of practical expedients elected on initial application:

Ajanta Pharma (Mauritius) Limited

Notes to the Consolidated Financial Statements for the year ended 31 March 2020

- Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The difference between the lease obligation recorded as of March 31, 2019 under Ind AS 17 disclosed under Note 21 of the 2019 Annual Report and the value of the lease liability as of April 1, 2019 is primarily on account of inclusion of extension and termination options reasonably certain to be exercised, in measuring the lease liability in accordance with Ind AS 116 and discounting the lease liabilities to the present value under Ind AS 116.

The interest rate applied to lease liabilities as at April 1, 2019 is 7%.

The future minimum lease payments and payment profile of non-cancellable operating leases are as under:

Particulars	₹ in Laacs	
	31 March 2020	31 March 2019
Not later than one year	33.46	46.87
Later than one year but not later than five years	200.51	217.83
Less than five years	Nil	Nil

34. Contingent Liabilities and commitments:

There are no contingent liabilities and commitments by the Group.

35. Related party disclosure as required by Ind AS 24 are given below:

A) Relationships:

Category I – Holding Company

Ajanta Pharma Ltd., India (Holding Company)

Category II - Directors, Key Management Personnel & their Relatives:

Mr. Vinayak Muzumdar Director (APML)

Mr. Suttian Deerpaul Director (APML)

& Relatives of Key Management Personnel

B) Following transactions were carried out with related parties:

Sr. No.	Particulars	Category	₹ in Laacs	
			31 March 2020	31 March 2019
1.	Purchase of Goods:			
	Ajanta Pharma Ltd., India	I	10,510.40	7,597.54
2.	Key Management Compensation:			
	Short Term Employee Benefits			
	Vinayak Muzumdar & Suttian Deerpaul	II	75.74	76.51
3.	Dividend Paid to Ajanta Pharma Ltd., India	I	8,404.90	6,097.55

Ajanta Pharma (Mauritius) Limited

Notes to the Consolidated Financial Statements for the year ended 31 March 2020

C) Amount outstanding as on 31 March 2020 ₹ in Laacs

Sr. No.	Particulars	Category	31 March 2020	31 March 2019
1.	Advance Receivable :			
	Ajanta Pharma Ltd., India	1	2,261.18	1,045.53

36. Contribution towards Corporate Social Responsibility

The particulars of CSR expenditure are as follows: ₹ in Laacs

Sr. No.	Particulars	31 March 2020	31 March 2019
a.	Construction/ acquisition of asset	Nil	Nil
b.	On purposes other than (a) above	9.17	28.19

37. Remuneration to Auditors :

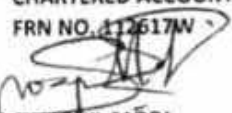
₹ in Laacs

Particulars	31 March 2020	31 March 2019
Audit Fees	11.49	10.53
For Certification and Other Matters	1.00	1.00

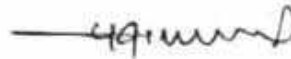
38. The Group has one segment of activity namely "Pharmaceuticals".

In terms of our report attached



FOR G R MODI & CO
CHARTERED ACCOUNTANTS
FRN NO. 112617W

SWAPNIL MODI
(PARTNER.)
M NO. 107574

For and on behalf of Board of Directors of
Ajanta Pharma (Mauritius) Limited



Yogesh M. Agrawal
Director

UDIN : 20107574AAAABA1146

Mumbai, 8 May 2020



G. R. MODI & CO.

Chartered Accountants

12, Laxminarayan Shopping Center, 1st Floor, Poddar Road, Malad (E), Mumbai - 400097
Tel No. 91-22-28884274 - 28819304 Fax No. 91-22-28819304 email : swapnil@modiconsultancy.com

Independent Auditor's Report

To the Members of AJANTA PHARMA PHILIPPINES INC.

Report on the Standalone Financial Statements

The accounts of AJANTA PHARMA PHILIPPINES INC. are being audited under the local laws of the country by the statutory auditor for the period 1st Jan 2019 to 31st December 2019. The company follows the period 1st April 2019 to 31st March 2020. In order to consolidate the accounts of AJANTA PHARMA PHILIPPINES INC. with that of the company, we have been appointed by the management of the company to audit the reinstated accounts of AJANTA PHARMA PHILIPPINES INC. for the period 1st April 2019 to 31st March 2020 under the companies Act in accordance with generally accepted accounting principles in India (Ind AS).

Opinion

We have audited the accompanying standalone Ind AS financial statements of AJANTA PHARMA PHILIPPINES INC. ("the Company") comprising of the Standalone Balance Sheet as at 31st March 2020, the Standalone Statement of Profit and Loss (including other comprehensive income), the Standalone Cash Flow Statement, the Standalone Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone Ind AS financial statements") prepared in accordance with group accounting policies followed by Ajanta Pharma Ltd. These Standalone financial statements have been prepared solely to enable Ajanta to prepare its consolidated financial statements.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, 2020, and profit/loss, *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 Companies Act, 2013. Our responsibilities under those Standards 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 together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Management's Responsibility for the Standalone Ind AS 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 standalone financial statements that give a true and fair view of the financial position, financial performance, (changes in equity) and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 statement 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 is 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.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process in accordance with the group accounting policies followed by Ajanta.

Auditor's Responsibility

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.

Report on Other Legal and Regulatory Requirements

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, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the aforesaid standalone 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 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

(g) 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 does not have any pending litigations which would impact its financial position;
- ii. The Company has not entered into any long-term contracts including derivative contracts, requiring provision under the applicable law or accounting standards, for material foreseeable losses; and
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.



FOR G R MODI & CO
CHARTERED ACCOUNTANTS
FRN NO. 12617W

SWAPNIL MODI
(PARTNER.)
M NO. 107574

Mumbai
8th May 2020

UDIN NO 20107574AAAABB1559

Annexure - A to the Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of AJANTA PHARMA PHILIPPINES INC. ("the Company") as of 31 March 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting 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 ('ICAI'). 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 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 Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 over financial reporting was 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 controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, including the assessment of the risks of material misstatement of the standalone 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 system over financial reporting.



Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting 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 over financial reporting 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 Over Financial Reporting

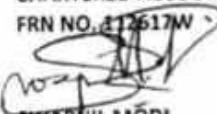
Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2020, based on the internal control over financial reporting 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.




FOR G R MODI & CO
CHARTERED ACCOUNTANTS
FRN NO. 212617W


SWAPNIL MODI
(PARTNER.)
M NO. 107574

Mumbai
8th May 2020

UDIN NO 20107574AAAABB1559

Ajanta Pharma Philippines Inc.			
Balance Sheet as at 31 March 2020			
	Note	31-Mar-20 Rs. in Lacs	31-Mar-19 Rs. in Lacs
Assets			
Non-current assets			
Property, plant and equipment	7	521.42	586.01
Other intangible assets	7	4.42	0.66
Right to use assets	7	23.47	-
Financial assets			
Other financial assets	8	1.77	1.57
Deferred tax assets (net)	9	17.40	13.97
Total non-current assets		568.48	602.22
Current assets			
Inventories	10	3,136.10	3,029.39
Financial assets			
Trade receivables	11	6,612.14	4,905.29
Cash and cash equivalents	12	4,393.85	714.25
Other current assets	13	269.40	92.99
Total current assets		14,411.48	8,741.92
Total assets		14,979.96	9,344.14
Equity and Liabilities			
Equity			
Equity share capital	14	138.40	138.40
Other Equity	15	8,986.08	6,452.61
Total Equity		9,124.48	6,591.01
Liabilities			
Non current liabilities			
Financial liabilities			
Borrowings	16	74.25	66.08
Lease liability	17	26.62	-
Total non-current liabilities		100.87	66.08
Current liabilities			
Financial liabilities			
Trade payables	18	4,360.66	1,640.99
Other financial liabilities	19	210.11	196.68
Other current liabilities	20	1,183.85	849.38
Total current liabilities		5,754.61	2,687.05
Total equity and liabilities		14,979.96	9,344.14
Significant accounting policies			
The note referred to above form part of an Consolidated financial statement			
As per our report of even date attached			
In terms of our report attached			
 <p>FOR G R MODI & CO CHARTERED ACCOUNTANTS FRN NO. 413617W SWAPNIL MODI (PARTNER.) M NO. 107574</p>		<p>For and on behalf of Board of Directors of Ajanta Pharma Philippines Inc.</p> <p><i>Rajesh M. Agrawal</i></p> <p>Rajesh M. Agrawal Director Mumbai, 8 May, 2020</p>	
Mumbai, 8 May, 2020			
UDIN NO 20107574AAAABB1559			

Ajanta Pharma Philippines Inc			
Statement of Profit and Loss Account for the year ended 31 March 2020			
	Note	31-Mar-20 Rs. in Lacs	31-Mar-19 Rs. in Lacs
Income			
Revenue from operations	21	20,694.21	16,177.29
Other income	22	96.38	27.74
Total Income		20,790.58	16,205.03
Expenses			
Cost of materials consumed	-	-	-
Purchase of stock-in-trade	23	10,755.81	9,171.57
Changes in inventories of finished goods/work-in-progress/stock-in-trade	24	253.10	(622.96)
Employee benefits expenses	25	1,372.34	1,226.28
Finance costs	26	33.67	24.61
Depreciation & amortisation expense	27	143.80	120.21
Other expenses	28	3,314.55	2,662.27
Total expenses		15,873.26	12,581.98
Profit before tax		4,917.32	3,623.06
Tax expense			
Current tax		1,560.64	1,082.58
Deffered tax		0.50	1.96
Profit for the year		3,356.18	2,538.52
Other comprehensive income / (loss)			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		904.21	268.79
Income tax relating to items that will be reclassified to profit or loss		-	-
Net other comprehensive income / (loss) to be reclassified subsequently to profit or loss		904.21	268.79
Other comprehensive income / (loss) for the year, net of tax		904.21	268.79
Total comprehensive income / (loss) for the year		4,260.39	2,807.30
Earning Per Equity Share (Basic & Diluted) (Face Value PHP100/-)	30	167.81	126.93
Significant accounting policies			
The note referred to above form part of an Consolidated financial statement			
As per our report of even date attached			
In terms of our report attached			
 <p>FOR G R MODI & CO CHARTERED ACCOUNTANTS FRN NO. 112617W SWAPNIL MODI (PARTNER.) M NO. 107574</p>		<p>For and on behalf of Board of Directors of Ajanta Pharma Philippines Inc.</p> <p><i>Rajesh M. Agrawal</i></p> <p>Rajesh M. Agrawal Director Mumbai, 8 May, 2020</p>	
Mumbai, 8 May, 2020			
UDIN NO 20107574AAAABB1559			

Ajanta Pharma Philippines Inc.			
Statement of Cash flow for the year ended 31 March 2020			(₹ in Lacs)
		31 March 2020	31 March 2019
A.	Cash flow from operating activities		
	Profit before tax	4,917.32	3,623.06
	Adjustment for		
	Depreciation and amortisation expense	143.80	120.21
	Finance costs	33.67	24.61
	Unrealised foreign exchange difference	904.21	268.79
	Operating cash flow before working capital changes	5,999.00	4,036.66
	Change in working capital		
	Decrease / (increase) in trade receivable	(1,706.85)	(774.27)
	Decrease / (increase) in other non current assets	(3.62)	1.09
	Decrease / (increase) in other current assets	(176.42)	205.97
	Decrease / (increase) in inventories	(106.70)	(622.96)
	Increase / (decrease) in other current liabilities	347.89	223.01
	Increase / (decrease) in trade payables	2,719.67	(465.90)
	Cash generated from operations	7,072.97	2,603.59
	Net income tax paid	(1,561.14)	(1,084.54)
	Net cash flow generated from operating activities	5,511.83	1,519.05
B.	Cash flow from investing activities		
	Capital expenditure on property, plant and equipment including capita	(69.32)	(124.32)
	Capital expenditure on right to use asset	(38.68)	-
	Proceeds from sale of fixed assets	-	0.17
	Net cash used in investing activities	(108.00)	(124.16)
C.	Cash flow from financing activities		
	Repayment of non current borrowings	8.17	(34.51)
	Repayment of lease liability (including interest thereon)	26.62	-
	Interest paid	(33.67)	(24.61)
	Dividend paid	(1,723.36)	(1,644.57)
	Net cash used in financing activities	(1,723.23)	(1,703.69)
	Net increase / (decrease) in cash and cash equivalents	3,679.59	(308.80)
	Cash and cash equivalents as at the beginning of the year	714.25	1,023.05
	Cash and cash equivalents as at the end of the year	4,393.85	714.25

Figures in brackets indicates outflow.

Note :

1. The above Cash Flow Statement has been prepared under 'Indirect Method' as set out in Accounting Standard 7 (Ind AS - 7) "Statement of Cash Flow" under Section 133 of the Companies Act 2013.

2. Cash comprises cash on hand, current accounts and deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition).

Significant accounting policies

The note referred to above form part of an Consolidated financial statement.

As per our report of even date attached

In terms of our report attached



FOR G R MODI & CO
CHARTERED ACCOUNTANTS
FRN NO. E12617W
[Signature]
SWAPNIL MODI
(PARTNER.)
M NO. 107574


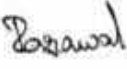
For and on behalf of Board of Directors of
Ajanta Pharma Philippines Inc.

[Signature]

Rajesh M. Agrawal
Director
Mumbai, 8 May, 2020

Mumbai, 8 May, 2020

UDIN NO 20107574AAAABB1559

Ajanta Pharma Philippines Inc.										
Statement of Changes in Equity for the year ended 31 March 2020										
										₱ in LACS
A. Equity Share Capital										
	Balance as at 1 April 2019		Changes in equity share capital during the year			Balance as at 31 March 2020				
Authorised:		138.40								138.40
Issued:		138.40								138.40
Subscribed & Paid up:		138.40								138.40
B. Other Equity										
Particulars	Capital Redemption Reserve	Securities Premium Account	General Reserve	Share Based Payment Reserve	Retained Earnings	Foreign Currency Translation Reserve	Other Items of other comprehensive income	Total	Non-Controlling Interests	Total Equity
As at 1 April 2018	-	-	3,129.03	-	2,414.02	(253.17)	-	5,289.88	-	5,289.88
Profit for the period	-	-	-	-	2,538.52	-	-	2,538.52	-	2,538.52
Other comprehensive income	-	-	-	-	-	268.79	-	268.79	-	268.79
Total comprehensive income	-	-	-	-	2,538.52	268.79	-	2,807.30	-	2,807.30
Transfer to General reserve	-	-	-	-	-	-	-	-	-	-
Dividend Paid	-	-	-	-	(1,644.57)	-	-	(1,644.57)	-	(1,644.57)
At 31 March 2019	-	-	3,129.03	-	3,307.97	15.62	-	6,452.61	-	6,452.61
Profit for the period	-	-	-	-	3,356.18	-	-	3,356.18	-	3,356.18
Other comprehensive income	-	-	-	-	-	904.21	-	904.21	-	904.21
Total comprehensive income	-	-	-	-	3,356.18	904.21	-	4,260.39	-	4,260.39
Transfer to Retained Earnings	-	-	-	-	(1.57)	-	-	(1.57)	-	(1.57)
Dividend Paid	-	-	-	-	(1,725.36)	-	-	(1,725.36)	-	(1,725.36)
At 31 March 2020	-	-	3,129.03	-	4,937.22	919.83	-	8,986.08	-	8,986.08
See accompanying notes forming part of the financial statements										
In terms of our report attached										
 <p>FOR G. R. MODI & CO. CHARTERED ACCOUNTANTS FRN NO. 478139W G. R. MODI (PARTNER) M. NO. 107874</p>					<p>For and on behalf of Board of Directors of Ajanta Pharma Philippines Inc.</p> <p></p> <p>Rajesh M. Agrawal Director</p>					
Mumbai, 8 May, 2020										
UDIN NO 20107574AAAAB81559										

Ajanta Pharma Philippines Inc.

Notes to the Financial Statements as on 31 March 2020

1. Corporate Information

Ajanta Pharma Philippines Inc. is a limited liability company incorporated and domiciled in Philippines and is a wholly owned subsidiary of Ajanta Pharma Ltd., India. The address of its registered office is located at Unit 710, AXA Life Bldg., 1286, Sen. Gil Puyat Ave., Makati City, Philippines.

Company is primarily involved in the business of pharmaceutical and related activities.

The Financial Statement for the Company were authorised for issue by the Company's Board of Directors on 8 May, 2020.

2. Basis of Preparation

The financial statement of the Company have been prepared in all material aspects in accordance with the recognition & measurement principles laid down in Indian Accounting Standards (hereinafter referred to as the 'Ind AS') read with Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015 as amended and other relevant provisions of the Act and accounting principles generally accepted in India.

The financial statements have been prepared on an accrual basis and under the historical cost basis, which have been measured at fair value or revalued amount wherever applicable.

3. Functional and Presentation Currency:

Functional currency of the Company is Philippine Peso (Php). The financial statement is prepared & presented in Indian Rupees (INR) as it is the functional currency of the Holding Company.

4. Rounding of Amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lacs.

5. Current versus Non-Current classification

The assets and liabilities in the balance sheet are presented based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle, or
 - Held primarily for the purpose of trading, or
 - Expected to be realised within twelve months after the reporting period, or
 - Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in normal operating cycle, or
- Held primarily for the purpose of trading, or
- Due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Ajanta Pharma Philippines Inc.

Notes to the Financial Statements as on 31 March 2020

All other liabilities are treated as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

Operating Cycle

Based on the nature of products / activities of the Group and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

6. Significant Accounting Policies

6.1 Property, Plant and Equipment

Property, Plant and Equipment are initially measured at cost and are presented in the financial statements at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO) and interest incurred during the construction period on funds borrowed to finance the construction of the projects. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to deferred development cost in the period the cost are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation is calculated on a straight-line basis to write off the cost of assets, to their residual values over their estimated useful life as follows:

Particulars	Useful Life
Condominium Units	20 years
Furniture, Fixtures & Fittings	2 years
Office Equipments	2 years
Computers	2 years
Motor Vehicles	5 years

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in profit or loss.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising on the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

6.2 Intangible Assets

Intangible assets are initially measured at cost and are subsequently measured at cost less accumulated amortization and any accumulated impairment loss. These are amortized over estimated useful life using the straight line method. If there is an indication that there has been a

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significant change in amortization rate, useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

Intangible assets are derecognized when these assets are disposed of or when no future economic benefits are expected from these assets.

6.3 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Classification

Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, on the basis of its business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

Initial Recognition and Measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent Measurement

For the purpose of subsequent measurement, financial assets are classified in two broad categories:

- Financial assets at fair value (FVTPL / FVTOCI)
- Financial assets at amortised cost

When assets are measured at fair value, gains and losses are either recognised in the statement of profit and loss (i.e. fair value through profit or loss (FVTPL)), or recognised in other comprehensive income (i.e. fair value through other comprehensive income (FVTOCI)).

Financial Assets measured at Amortised Cost (net of any write down for impairment, if any)

Financial assets are measured at amortised cost when asset is held within a business model, whose objective is to hold assets for collecting contractual cash flows and contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method less impairment, if any. The losses arising from impairment are recognised in the Statement of profit and loss.

Financial Assets measured at Fair Value through Other Comprehensive Income ("FVTOCI")

Financial assets under this category are measured initially as well as at each reporting date at fair value, when asset is held within a business model, whose objective is to hold assets for both collecting contractual cash flows and selling financial assets. Fair value movements are recognized in the other comprehensive income.

Financial Assets measured at Fair Value through Profit or Loss ("FVTPL")

Financial assets under this category are measured initially as well as at each reporting date at fair value with all changes recognised in profit or loss.

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Investment in Equity Instruments

Equity instruments which are held for trading are classified as at FVTPL. All other equity instruments are classified as FVTOCI. Fair value changes on the instrument, excluding dividends, are recognised in the other comprehensive income. There is no recycling of the amounts from other comprehensive income to profit or loss.

Investment in Debt Instruments

A debt instrument is measured at amortised cost or at FVTOCI. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVOCI, is classified as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the Statement of profit and loss.

Derecognition of Financial Assets

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or Company has transferred its rights to receive cash flows from the asset.

Impairment of Financial Assets

In accordance with Ind - AS 109, Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instruments and trade receivables.

Financial Liabilities

Classification

Company classifies all financial liabilities as subsequently measured at amortised cost or FVTPL.

Initial Recognition and Measurement

All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs.

Financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent Measurement

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the

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recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Derivative Financial Instrument

The Company uses derivative financial instruments, such as forward currency contracts to mitigate its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

6.4 Inventories

Finished products including traded goods are valued at lower of cost (on moving weighted average basis) and net realisable value. The cost of Inventories have been computed to include all cost of purchases, cost of conversion, appropriate share of fixed production overheads based on normal capacity and other related cost incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Slow and non-moving, obsolesces, defective inventory are fully provided for and valued at net realisable value. Goods in transit are valued at actual cost incurred up to the date of balance sheet.

6.5 Cash And Cash Equivalents

Cash and Cash Equivalents comprise of cash on hand and cash at bank including fixed deposit/highly liquid investments with original maturity period of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalent for the purpose of statement of cash flow.

6.6 Cash Flow Statements

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flow from operating, investing and financing activities of the Company are segregated.

6.7 Foreign Currency Transactions

Revenue Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing on the date of the transaction.

Monetary items denominated in foreign currencies at the year-end are re-measured at the exchange rate prevailing on the balance sheet date. Non-monetary foreign currency items are carried at cost.

Any income or expense on account of exchange difference either on settlement or on restatement is recognised in the Statement of Profit and Loss.

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6.8 Revenue Recognition

The Company recognises revenue to depict the transfer of promised goods or services to customers. In accordance with Ind-AS 115 Revenue from Contracts with Customers, the Company recognises revenue by applying the following five steps:

- Step 1: Identify the contract(s) with a customer

The Company applies the revenue recognition model to each contract with a customer once it is probable the entity will collect the consideration to which it will be entitled. Contracts for this purpose may be written, verbal or implied by customary business practices, but must be enforceable and have commercial substance. In evaluating whether collection is probable, the Company considers only the customer's ability and intention to pay the consideration when due.

- Step 2: Identify the performance obligations in the contract

Once the contract has been identified, the Company evaluates the terms and customary business practices to identify which promised goods or services should be accounted for as separate performance obligations. The key determinant for identifying a separate performance obligation is whether a good or service, or a bundle, is distinct. A good or service is distinct if the customer can benefit from the good or service on its own or together with other readily available resources and the good or service is separately identifiable from other promises in the contract. The Company treats each distinct good or service as a separate performance obligation.

- Step 3: Determine the transaction price

The transaction price is the amount of consideration to which an entity expects to be entitled and includes:

-An estimate of any variable consideration determined using either a probability-weighted expected value or the most likely amount, whichever better predicts the amount of consideration to which the Company will be entitled

-The effect of the time value of money, if there is a financing component that is significant to the contract

-The fair value of any non-cash consideration

- Step 4: Allocate the transaction price to the performance obligations in the contract

The Company usually allocates transaction price to each separate performance obligation on a relative stand-alone selling price basis. When determining stand-alone selling prices, the Company uses observable information, if it is available. If stand-alone selling prices are not directly observable, the Company estimates such prices based on reasonably available information, e.g., adjusted market assessment approach or an expected cost plus a margin approach. Only when the stand-alone selling price of a good or service is highly variable or uncertain, the Company use residual approach for allocation.

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Company determines whether it satisfies performance obligation by transferring control of a promised good or service over time or at a point in time to the customer. A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case, it is satisfied over time:

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-The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs

-The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced

The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Revenue from sale of goods is recognised, when all significant risks and rewards are transferred to the buyer, as per the terms of contracts and no significant uncertainty exists regarding amount of the consideration that will be derived from the sale of goods.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of goods, it is probable that the economic benefit will flow to the Company, the associated costs and possible return of goods can be estimated reliably, there is neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold and the amount of revenue can be measured reliably. The Company is principal in all of its revenue arrangements, since it is the primary obligor in all of the revenue arrangements, as it has pricing latitude and is exposed to inventory and credit risks.

Provisions for chargeback, rebates and discounts are estimated and provided for in the year of sales and recorded as reduction of revenue.

Revenue is measured at the fair value of the consideration received or receivable. Amount disclosed as revenue are inclusive of excise duty, excluding Goods and Services tax (GST), sales tax or value added taxes or service taxes or duties collected on behalf of the government, and net of amounts collected on behalf of third parties.

When the financing element is significant, the Company adjusts the transaction price for the time value of money. The objective when adjusting the consideration for a significant financing component is to recognise revenue at the cash selling price.

Revenue from sale of technology / know how (rights, licences and other intangibles) are recognised when performance obligation is completed as per the terms of the agreement. Incomes from services are recognised when services are rendered.

Interest income is recognised on time proportion basis. Insurance and other claims are recognised as a revenue on certainty of receipt on prudent basis. Export benefits available under prevalent schemes are accounted to the extent considered receivable.

Dividend income is recognised when the Entity's right to receive the payment is established, which is generally when shareholders approve the dividend.

6.9 Employee Benefits

Short-term Benefits - The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and other non-monetary benefits.

Post-Employment Benefits - The Company does not have a formal retirement benefit plan. However, the Company is subject to the provision of Republic Act No. 7641 (known as the Retirement Law). This requires that in the absence of a retirement plan of agreement providing for retirement benefits of employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served for at least five (5) years in a private

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company, may retire and shall be entitled to retirement pay. No actuarial computation was made considering that there are no more than ten (10) employees who had served at least five years and the turnover of employees is high.

Compensated Absences - Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. Those are included in the salaries and wages account and are recognized when availed of by the employees.

Retirement and Other Long-term Benefits

Retirement and other long-term benefits costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of defined benefit obligations is performed annually by a qualified actuary. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net retirement and other long-term employee benefits liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Company determines the net interest expense to measure the net retirement benefit liability (asset) on at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The net retirement and other long-term benefits liability recognized by the Company is the aggregate of the present value of the defined benefit obligation reduced by the fair value of plan assets out of which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement and other long-term benefits liability.

Share-based compensation

Company has no share based compensation plan.

6.10 Borrowing Costs

Borrowing costs comprise interest expense on borrowings and other bank charges. 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 asset. All other borrowing costs are expensed in the period in which they occur.

6.11 Lease

The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (1) the contract involves the

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use of an identified asset (2) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the generally accepted interest rate. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

Transition

Effective April 1, 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the generally accepted interest rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the generally accepted interest rate at the date of initial application. Comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended March 31, 2019.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of ₹36.43 Lacs and a lease liability of ₹38.00 Lacs. The cumulative effect of applying the standard,

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amounting to ₹1.57 Lacs was debited to retained earnings, net of taxes. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

The following is the summary of practical expedients elected on initial application:

- a. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
- b. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
- c. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- d. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The difference between the lease obligation recorded as of March 31, 2019 under Ind AS 17 disclosed under Note 28 of the 2019 Annual Report and the value of the lease liability as of April 1, 2019 is primarily on account of inclusion of extension and termination options reasonably certain to be exercised, in measuring the lease liability in accordance with Ind AS 116 and discounting the lease liabilities to the present value under Ind AS 116.

The interest rate applied to lease liabilities as at April 1, 2019 is 6%.

6.12 Earnings Per Share

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

6.13 Income Taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in net profit in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined

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using tax rates that have been enacted or substantively enacted by the end of reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

6.14 Dividends to Shareholders

Annual dividend distribution to the shareholders is recognised as a liability in the period in which the dividends are approved by the shareholders. Any interim dividend paid is recognised on approval by Board of Directors. Dividend payable is recognised directly in equity.

6.15 Provisions, Contingent Liabilities, Contingent Assets and Commitments

General

Provisions (legal and constructive) are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and those risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as Finance Cost. When some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- A present obligation arising from past events, when no reliable estimates is possible;
- A possible obligation arising from past events, unless the probability of outflow of resources is remote.

Contingent liabilities are not recognised but disclosed in the Financial Statements. Contingent assets are neither recognised nor disclosed in the Financial Statements.

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets and Non-cancellable operating lease.

Provisions, contingent liabilities, contingent assets and commitments are reviewed at each balance sheet date.

Asset Retirement Obligation

Asset retirement obligations (ARO) are provided for those operating lease arrangements where the Company has a binding obligation at the end of the lease period to restore the leased premises in a condition similar to inception of lease. ARO are provided at the present value of expected costs to settle the obligation using discounted cash flows and are recognised as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is recognised in the income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

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6.16 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date in accordance with Ind AS 113.

Financials Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value received from Bank.
- Mutual Funds are measured at fair values as per Net Asset Value (NAV).
- Employee Stock Option Plan (ESOP) at fair values as per Actuarial Valuation Report.

Fair value is the price that would be received to sell an asset or settle a liability in an ordinary transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

6.17 Recent accounting pronouncements

Standards issued but not yet effective

6.18 Critical accounting judgements, estimates and assumptions

The preparation of the Company's financial statements 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. However,

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uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities in future periods.

(a) Arrangement containing lease

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease. At the inception or on reassessment of an arrangement that contains a lease, Company separates payments and other consideration required by the arrangement into those for the lease and those for the other elements on the basis of their relative fair values.

The Company has determined, based on an evaluation of the terms and conditions of the arrangements that such contracts are in the nature of operating leases.

(b) Multiple element contracts with vendors

The Company has entered into multiple element contracts with vendors for supply of goods and rendering of services. The consideration paid is/may be determined independent of the value of supplies received and services availed. Accordingly, the supplies and services are accounted for based on their relative fair values to the overall consideration. The supplies with finite life under the contracts (as defined in the significant accounting policies) have been accounted under Property, Plant and Equipment and/or as Intangible assets, since the Company has economic ownership in these assets. Company believes that the current treatment represents the substance of the arrangement.

(c) Property, Plant and equipment

Determination of the estimated useful life of tangible assets and the assessment as to which components of the cost may be capitalized. Useful life of tangible assets is based on the life of useful lives/rates prescribed by the GAAPs of the respective countries. Assumptions also need to be made, when the Company assesses, whether an asset may be capitalised and which components of the cost of the asset may be capitalised.

(d) Intangible Assets

Internal technical or user team assess the remaining useful lives of Intangible assets. Management believes that assigned useful lives are reasonable.

(e) Recognition and measurement of defined benefit obligations

The obligation arising from the defined benefit plan is determined on the basis of actuarial assumptions. Key actuarial assumptions include discount rate, trends in salary escalation and vested future benefits and life expectancy. The discount rate is determined with reference to market yields at the end of the reporting period on the government bonds. The period to maturity of the underlying bonds correspond to the probable maturity of the post-employment benefit obligations.

(f) Recognition of deferred tax assets and income tax

Deferred tax asset is recognised for all the deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The management assumes that taxable profits will be available while recognising deferred tax assets.

Management judgment is required for the calculation of provision for income taxes and deferred tax assets and liabilities. The Company reviews at each balance sheet date the carrying amount of deferred tax assets. The factors used in estimates may differ from actual outcome which could lead to significant adjustment to the amounts reported in the financial statements.

Ajanta Pharma Philippines Inc.

Notes to the Financial Statements as on 31 March 2020

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective country.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, future tax planning strategies and recent business performances and developments.

(g) Recognition and measurement of other provisions

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the balance sheet date. The actual outflow of resources at a future date may, therefore, vary from the figure included in other provisions.

(h) Contingencies

Management judgement is required for estimating the possible outflow of resources, if any, in respect of contingencies/claim/litigations against the Company as it is not possible to predict the outcome of pending matters with accuracy.

(i) Allowance for uncollected accounts receivable and advances

Trade receivables do not carry any interest and are stated at their normal value as reduced by appropriate allowances for estimated irrecoverable amounts. Individual trade receivables are written off when management seems them not collectible. Impairment is made on the expected credit losses, which are the present value of the cash shortfall over the expected life of the financial assets.

The impairment provisions for financial assets are based on assumption about risk of default and expected loss rates. Judgement in making these assumption and selecting the inputs to the impairment calculation are based on past history, existing market condition as well as forward looking estimates at the end of each reporting period.

(j) Insurance claims

Insurance claims are recognised when the Company has reasonable certainty of recovery.

(k) Impairment reviews

An impairment exists when the carrying value of an asset or cash generating unit ('CGU') exceeds its recoverable amount. Recoverable amount is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. In calculating the value in use, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectations of growth in EBITDA, long term growth rates; and the selection of discount rates to reflect the risks involved.

Ajanta Pharma Philippines Inc.				
Notes to Financial Statement for the year ended 31 March 2020				
		31-Mar-20		31-Mar-19
		Rs. in Lacs		Rs. in Lacs
8	Other Non-Current Financial Assets			
	(Unsecured, Considered Good unless otherwise stated)			
	Security Deposits	1.77		1.57
		1.77		1.57
9	Deferred Tax Assets (Net)			
	Others	17.40		13.97
	Deferred Tax Assets (Net)	17.40		13.97
10	Inventories			
	Stock-in-trade	3,136.10		3,029.39
		3,136.10		3,029.39
11	Trade Receivables			
	(Unsecured, Considered Good unless otherwise stated)			
	Considered good	6,612.14		4,905.29
		6,612.14		4,905.29
12	Cash and cash equivalents			
	Cash on Hand	0.31		0.40
	Balance with Banks - In current accounts	4,393.53		713.86
		4,393.85		714.25
13	Other Current Assets			
	Advances to Suppliers	225.24		52.45
	Advances to Employees	44.16		40.53
		269.40		92.99

Ajanta Pharma Philippines Inc.				
Notes to Financial Statement for the year ended 31 March 2020				
14 Equity Share Capital				
	31-Mar-20		31-Mar-19	
	Number of Shares	Rs. in Lacs	Number of Shares	Rs. in Lacs
Authorised :				
Equity Shares of PHP 100 each	2,000,000	138.40	2,000,000	138.40
Issued, Subscribed & Paid up :				
Equity Shares of PHP 100 each fully paid up	2,000,000	138.40	2,000,000	138.40
(a) Reconciliation of number of equity shares outstanding at the beginning and at the end of the year :				
	31 March 2020		31 March 2019	
	Number of Shares	Rs. Lacs	Number of Shares	Rs. Lacs
Number of shares outstanding as at the beginning of the year	2,000,000	138.40	82,000	138.40
Add : Number of shares allotted as bonus during the year	-	-	1,918,000	-
Less: Number of shares bought back during the year	-	-	-	-
Number of shares outstanding as at the end of the year	2,000,000	138.40	2,000,000	138.40
(b) Rights, preferences and restrictions attached to shares				
The company has issued only one class of ordinary shares with voting rights having a par value of PHP100 per share.				
During the year ended 31 March 2020, amount per share of dividend recognised as distributions to equity shareholders was PHP 62.50 per equity share (31 March 2019 PHP 60.60 per equity share)				
In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company. The distribution will be in proportion to the numbers of equity shares held by shareholders.				
(c) Details of equity shareholders holding more than 5%				
Name of Shareholder	31 March 2020		31 March 2019	
	Number of Shares	% Holding	Number of Shares	% Holding
Ajanta Pharma Ltd., India	2,000,000	100.00	2,000,000	100.00
(d) Shares reserved for issue under options				
	Nil	Nil	Nil	Nil
15 OTHER EQUITY				
General Reserve				
Balance at the beginning of the year		3,129.03		3,129.03
Add : Transferred from Statement of Profit & Loss		-		-
		3,129.03		3,129.03
Exchange Fluctuation Reserve				
		919.83		15.62
Surplus in the Statement of Profit and Loss				
Balance at the beginning of the year		3,307.97		2,414.02
Profit for the year		3,356.18		2,538.52
Less: Appropriations				
-Dividend Paid on Equity Shares		1,725.36		1,644.57
-Dividend Distribution Tax On Proposed		-		-
-Transferred from retained earnings		1.57		-
-Transferred to General Reserve		-		-
Balance at the year end		4,937.22		3,307.97
Total Other Equity		8,986.08		6,452.61

Ajanta Pharma Philippines Inc.			
Notes to Financial Statement for the year ended 31 March 2020			
		31-Mar-20	31-Mar-19
		Rs. in Lacs	Rs. in Lacs
16	Non-Current Borrowings		
	Vehicle Loans (Secured)		
	from Banks (PHP)	74.25	66.08
		74.25	66.08
17	Lease liability		
	Lease liability	26.62	-
		26.62	-
18	Trade Payables		
	Trade Payables to Related Party	4,360.66	1,640.99
		4,360.66	1,640.99
19	Other Current Financial Liabilities		
	Current Maturities of long-term debt	210.11	196.68
		210.11	196.68
20	Other Current Liabilities		
	Others payables	1,183.85	849.38
		1,183.85	849.38
Ajanta Pharma Philippines Inc.			
Notes to Financial Statement for the year ended 31 March 2020			
		31-Mar-20	31-Mar-19
		Rs. in Lacs	Rs. in Lacs
21	Revenue from Operations		
	Sale of Products		
	Stock-in-Trade	20,694.21	16,177.29
		20,694.21	16,177.29
22	OTHER INCOME		
	Exchange Difference (Net)	79.82	-
	Profit on Sale of Fixed Assets	-	-
	Interest from Others	9.24	4.25
	Miscellaneous Income	7.31	23.49
		96.38	27.74
23	Purchase of Stock-in-Trade	10,755.81	9,171.57
24	Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade		
	Inventories at the end of the year :		
	Stock-in-trade	2,963.56	3,029.39
		(A)	3,029.39
	Inventories at the beginning of the year :		
	Stock-in-trade	3,216.66	2,406.43
		(B)	2,406.43
	Total changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade :		
	Work-in-Process	253.10	(622.96)
	Total changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade	(B) - (A)	(622.96)
25	Employee Benefit Expenses		
	Salaries, Wages, Bonus and Allowances	1,360.68	1,222.21
	Staff Welfare Expenses	11.66	4.07
		1,372.34	1,226.28
26	Finance Cost		
	Interest expenses	33.67	24.61
		33.67	24.61
27	Depreciation		
	Depreciation of Tangible Assets (Refer note 4)	143.80	120.21
		143.80	120.21
28	Other Expenses		
	Selling Expenses	1,371.41	846.38
	Clearing and Forwarding	1,466.76	1,215.39
	Travelling Expenses	236.56	247.90
	Power and Fuel	8.04	9.63
	Rent	28.75	31.48
	Telephone, Telex & Postage	18.35	19.47
	Repairs to Building	1.04	1.52
	Exchange Difference (Net)	-	60.28
	Miscellaneous Expenses	183.63	230.21
		3,314.55	2,662.27

Ajanta Pharma Philippines Inc.

Notes to the Financial Statements for the year ended 31 March 2020

29. Capital Management

Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to equity shareholders. The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. Company's target is to achieve a return on capital above 30%; in 2019-20 the return was 53% and in 2018-19 the return was 53%.

Company monitors capital using a ratio of 'adjusted net debt' to 'adjusted equity'. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents and short term investments. Adjusted equity comprises all components of equity.

Company's policy is to keep the ratio below 1.00 and its adjusted net debt to equity ratio at 31 March 2020 was as follows.

Particulars		₹ in Laacs	
		31 March 2020	31 March 2019
Debt (Debt + Current Liabilities)		5,754.61	2,687.05
Less: Cash and Cash equivalents		4,393.85	714.25
Net Debt	A	1,360.76	1,972.80
Equity	B	9,124.48	6,591.01
Net Debt to Equity ratio	A/B	0.15	0.30

30. Earnings Per share (EPS):

The numerator and denominator used to calculate Basic and Diluted Earnings Per Share:

Particulars		31 March 2020	31 March 2019
Basic and Diluted Earnings Per Share:			
Profit attributable to Equity shareholders- for Basic EPS (₹ in Laacs)	A	3,356.18	2,538.52
Add: Dilutive effect on profit (₹ in Laacs)	B	Nil	Nil
Profit attributable to Equity shareholders for computing Diluted EPS (₹ in Laacs)	C=A-B	3,356.18	2,538.52
Weighted Average Number of Equity Shares outstanding - for Basic EPS	D	20,00,000	20,00,000
Add: Dilutive effect of option outstanding- Number of Equity Shares	E	Nil	Nil
Weighted Average Number of Equity Shares for Diluted EPS	F=D+E	20,00,000	20,00,000
Face Value per Equity Share (Php)		100	100
Basic Earnings Per Share (₹)	A/D	167.81	126.93
Diluted Earnings Per Shares (₹)	C/F	167.81	126.93

31. Employee Benefits

As required by Ind AS 19 'Employee Benefits', the Company offers its employees: Short-term employee benefits - These benefits include salaries and wages and other government contributions which are due within twelve months after the end of the period in which the employee renders the related service. The total consideration paid in 2019-20 was ₹ 1,372.24 Laacs (Previous Year ₹ 1,226.28 Laacs).

Retirement plan - The Company did not yet set up a retirement plan since it does not have more than ten (10) employees who had served at least five years. Retirement expenses are recognized upon actual availment of qualified employees which will be determined by the Company based on the actual number of years of service in compliance with RA No. 7641. No retirement costs were recognized.

Ajanta Pharma Philippines Inc.

Notes to the Financial Statements for the year ended 31 March 2020

32. Financial Instrument – fair values and risk management

Fair value measurements	₹ in Laacs			
	31 March 2020		31 March 2019	
Financial Instruments by category	FVTPL	Amortised Cost	FVTPL	Amortised Cost
Financial Assets				
Trade Receivables	-	6,612.14	-	4,905.29
Other Non-Current Financial Assets	-	1.77	-	1.57
Cash and cash equivalents	-	4,393.85	-	714.25
Total Financial Assets	-	11,007.76	-	5,621.12
Financial Liabilities				
Borrowings	-	74.25	-	66.08
Other Current Financial Liabilities	-	1,393.95	-	1,046.06
Trade Payables	-	4,360.66	-	1,640.99
Total Financial Liabilities	-	5,828.86	-	2,753.13

Fair Value Hierarchy	₹ in Laacs					
	31 March 2020			31 March 2019		
	Level			Level		
Financial assets and liabilities measured at fair value	I	II	III	I	II	III
Financial assets						
Non recurring fair value measurement						
Trade Receivables	-	-	6,612.14	-	-	4,905.29
Other Non-Current Financial Assets	-	-	1.77	-	-	1.57
Cash and cash equivalents	-	-	4,393.85	-	-	714.25
Total Financial Assets	-	-	11,007.76	-	-	5,621.12
Financial Liabilities						
Borrowings	-	-	74.25	-	-	66.08
Other Current Financial Liabilities	-	-	1,393.95	-	-	1,046.06
Trade Payables	-	-	4,360.66	-	-	1,640.99
Total Financial Liabilities	-	-	5,828.86	-	-	2,753.13

Level 1 – The hierarchy in level 1 includes financial instruments measured using quoted prices. This includes mutual funds that have quoted price. 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 (like forward contracts) 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 required to fair value as 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. This is the case for unlisted equity securities, etc. included in level 3.

A. Financial risk management

Company has exposure to following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Ajanta Pharma Philippines Inc.

Notes to the Financial Statements for the year ended 31 March 2020

Risk management framework

Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the Company's risk management policies, under the guidance of Audit Committee.

Company's risk management policies are established to identify and analyse the risks faced by it, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Company, through its training and procedures aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

Company's Audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

i. Credit risk

Company's credit risk is minimal. The trade receivables arise mainly from transactions with its approved customers. The maximum exposure to credit on these transactions is equal to the carrying amount of these financial instruments. Customers are subject to stringent financial, credit and legal verification process. In addition, trade receivable balances are monitored on an ongoing basis to ensure timely collections. Accordingly, the Company's exposure to bad debts is not significant.

Summary of the Company's exposure to credit risk by age of the outstanding from various customers is as follows:

Particulars	₹ in Laos	
	31 March 2020	31 March 2019
Not past due but impaired	-	-
Not past due not impaired	-	-
Past due not impaired	6,612.14	4,905.29
- 1-180 days	6,499.65	4,905.29
- 181-365 days	112.99	-
- more than 365 days	-	-
Past due impaired	-	-
- 1-180 days	-	-
- 181-365 days	-	-
- more than 365 days	-	-

With respect to credit risk arising from other financial assets of the Company, which comprise cash in banks and receivables (except for advances to suppliers), the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company limits its exposure to credit risks by depositing its cash only with financial institutions duly evaluated and approved by the Board of Directors. The Company's receivables is minimal since no default payments were made by the counterparties. An impairment analysis is performed at each reporting date on an individual basis for major clients.

ii. Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Company's objective is to, at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The Company closely monitors its liquidity position and deploys a robust cash management system. Presently the Company has existing long-term loans that fund capital expenditures. Working capital requirements are adequately addressed by internally generated funds. Trade receivables are kept within manageable levels.

Ajanta Pharma Philippines Inc.

Notes to the Financial Statements for the year ended 31 March 2020

iii. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Financial instruments affected by market risk include loans and borrowings, deposits, investments, and derivative financial instruments. Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. All transactions are carried out within the guidelines set by the risk management committee.

The sensitivity analysis have been prepared on the basis of derivatives and the proportion of financial instruments in foreign currencies are all constant. The analysis excludes the impact of movements in market variables on the carrying value of postemployment benefit obligations, provisions and on the non-financial assets and liabilities. The sensitivity of the relevant income statement item is the effect of the assumed changes in the respective market risks. This is based on the financial assets and financial liabilities held as of 31 March 2020 and 31 March 2019.

a) Currency risk

The Company's foreign exchange risk results primarily from movements of the Philippine peso against the US dollar with respect to US dollar denominated financial assets and liabilities.

The Company's transactional currency exposures arise from its inventories which is 100% purchases from Holding Company in US dollar. In addition, 13% as at 31 March 2020 and 13% as at 31 March 2019 of the Company's debt are denominated in US dollar. The Company periodically reviews the trend of the foreign exchange rates and, as a practical move, increases its US dollar denominated time deposits in times when the Philippine peso is depreciating or decreases its US dollar denominated time deposits in times when the Philippine peso is appreciating.

The following table analyses foreign currency risk as of 31 March 2020 and 31 March 2019:

Particulars	₹ in Lacs	
	31 March 2020	31 March 2019
Financial Assets		
Trade Payables	(4,360.66)	(1,640.99)
Borrowings & Other Financial Liabilities	(36.97)	(34.16)
Net Assets / (Liabilities)	(4,397.63)	(1,675.15)

For the year ended 31 March 2020 and 31 March 2019, every percentage point depreciation / appreciation in the exchange rate between the PHP and respective currencies has affected the Company's incremental profit before tax as per below:

Year	Change in currency exchange rate	₹ in Lacs
		Effect on profit before tax
31 March 2020	+5% / (-5%)	219.88 / (219.88)
31 March 2019	+5% / (-5%)	83.76 / (83.76)

33. Note on foreign currency exposures on assets and liabilities:

During the year, the Company has not entered into Forward Exchange Contract. The year-end foreign currency exposures that have not been mitigated by a derivative instrument or otherwise are as below:

Particulars	₹ in Lacs		Foreign Currency Amt in Lacs		Foreign Currency
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	
Amount Payable	4,397.63	1,675.15	58.56	24.28	USD

Ajanta Pharma Philippines Inc.

Notes to the Financial Statements for the year ended 31 March 2020

b) Interest rate risk

The Company's exposure to changes in interest rates relates primarily to the Company's long-term debt obligations. Fixed rate financial instruments are subject to fair value interest rate risk. The following table demonstrates the sensitivity analysis to a reasonably possible change in interest rates, with all other variable held constant, of the Company's profit before income tax. The estimates are based on the outstanding interest bearing liabilities of the Company with floating interest rate as at 31 March 2020 and 31 March 2019.

Year	Change in interest rate	Effect on profit before tax
31 March 2020	+1% / (-1%)	2.84 / (2.84)
31 March 2019	+1% / (-1%)	2.63 / (2.63)

c) Price risk

Company does not have any exposure to price risk, as there is no equity investments.

34. Disclosure for operating leases under Ind AS 116 - "Leases":

The Company have taken a premise under operating lease. The lease is for a period of one year and renewable every year upon mutual consent of the parties. There are no contingent rents. The lease payments of ₹ 28.75 Laacs (Previous Year ₹ 31.48 Laacs) are recognised in Statement of Profit and Loss under "Rent" under Note 28.

Transition

Effective April 1, 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the generally accepted interest rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the generally accepted interest rate at the date of initial application. Comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended March 31, 2019.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of ₹36.43 Laacs and a lease liability of ₹38.00 Laacs. The cumulative effect of applying the standard, amounting to ₹1.57 Laacs was debited to retained earnings, net of taxes. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

The following is the summary of practical expedients elected on initial application:

- Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The difference between the lease obligation recorded as of March 31, 2019 under Ind AS 17 disclosed under Note 28 of the 2019 Annual Report and the value of the lease liability as of April 1, 2019 is primarily on account of inclusion of extension and termination options reasonably certain to be

Ajanta Pharma Philippines Inc.

Notes to the Financial Statements for the year ended 31 March 2020

exercised, in measuring the lease liability in accordance with Ind AS 116 and discounting the lease liabilities to the present value under Ind AS 116.

The interest rate applied to lease liabilities as at April 1, 2019 is 6%.

The Company leases transportation equipment under a number of finance lease agreements for a term of 5 years. Transportation equipment under finance lease arrangements, shown as part of "Property, Plant and Equipment" account in the statements of financial position. The aggregate future minimum payments under finance leases are as under:

Particulars	₹ in Lacs	
	31 March 2020	31 March 2019
Not later than one year	210.11	196.68
Later than one year but not later than five years	74.25	66.08
Less than five years	Nil	Nil

35. Contingent Liabilities and commitments:

There are no contingent liabilities and commitments by the Company.

36. Related party disclosure as required by Ind AS 24 are given below:

A) Relationships:

Category I – Holding Company & Fellow Subsidiary

Ajanta Pharma Ltd., India (Holding Company)

Category II - Directors, Key Management Personnel & their Relatives:

Sam Gioskos Director (APPI)

& Relatives of Key Management Personnel

B) Following transactions were carried out with related parties:

Sr. No.	Particulars	Category	₹ in Lacs	
			31 March 2020	31 March 2019
1.	Purchase of Goods:			
	Ajanta Pharma Ltd., India	I	10,755.81	9,171.57
2.	Key Management Compensation:			
	Short Term Employee Benefits			
	Sam Gioskos	II	69.65	63.83
3.	Dividend Paid to Ajanta Pharma Ltd., India	I	1,725.36	1,644.57

C) Amount outstanding as on 31 March 2020

Sr. No.	Particulars	Category	₹ in Lacs	
			31 March 2020	31 March 2019
1.	Trade Payable :			
	Ajanta Pharma Ltd., India	I	4,360.66	1,640.99

37. Remuneration to Auditors :

Particulars	₹ in Lacs	
	31 March 2020	31 March 2019
Audit Fees	3.56	3.27

Ajanta Pharma Philippines Inc.


Notes to the Financial Statements for the year ended 31 March 2020

38. The Company has one segment of activity namely "Pharmaceuticals".

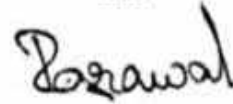
In terms of our report attached



FOR G R MODI & CO
CHARTERED ACCOUNTANTS
FRN NO. 412617W


SWAPNIL MODI
(PARTNER.)
M NO. 107574

For and on behalf of Board of
Directors of
Ajanta Pharma Philippines
Inc.



Rajesh M. Agrawal
Director

Mumbai, 8 May 2020

UDIN NO 20107574AAAABB1559



G. R. MODI & CO.

Chartered Accountants

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Tel No. 91-22-28884274 - 28819304 Fax No. 91-22-28819304 email : swapnil@modiconsultancy.com

Independent Auditor's Report To the Members of Ajanta Pharma Nigeria Ltd.

Report on the Standalone Financial Statements

The accounts of AJANTA PHARMA NIGERIA LTD. are being audited under the local laws of the country by the statutory auditor for the period 1st Jan 2019 to 31st December 2019. The company follows the period 1st April 2019 to 31st March 2020. In order to consolidate the accounts of AJANTA PHARMA NIGERIA LTD. With that of the company, we have been appointed by the management of the company to audit the reinstated accounts of AJANTA PHARMA NIGERIA LTD. for the period 1st April 2019 to 31st March 2020 under the companies Act in accordance with generally accepted accounting principles in India (Ind AS).

Opinion

We have audited the accompanying standalone Ind AS financial statements of AJANTA PHARMA NIGERIA LTD. ("the Company") comprising of the Standalone Balance Sheet as at 31st March 2020, the Standalone Statement of Profit and Loss (including other comprehensive income), the Standalone Cash Flow Statement, for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone Ind AS financial statements") prepared in accordance with group accounting policies followed by Ajanta Pharma Ltd. These Standalone financial statements have been prepared solely to enable Ajanta Pharma Ltd. to prepare its financial statements.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, 2020, and profit/loss, 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 Companies Act, 2013. Our responsibilities under those Standards 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 together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 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.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Management's Responsibility for the Standalone Ind AS 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 standalone financial statements that give a true and fair view of the financial position, financial performance, and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 statement 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 is 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.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process in accordance with the group accounting policies followed by Ajanta.

Auditor's Responsibility

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.

Report on Other Legal and Regulatory Requirements

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, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the aforesaid standalone 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 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

(g) 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:

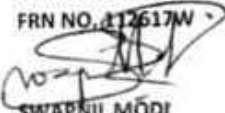
i. The Company does not have any pending litigations which would impact its financial position;

ii. The Company has not entered into any long-term contracts including derivative contracts, requiring provision under the applicable law or accounting standards, for material foreseeable losses; and

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.



FOR G R MODI & CO
CHARTERED ACCOUNTANTS
FRN NO. 412617W


SWAPNIL MODI
(PARTNER.)
M NO. 107574

Mumbai
8th May 2020

UDIN NO. 20107574AAAABC7596

Annexure - A to the Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of AJANTA PHARMA NIGERIA LTD. ("the Company") as of 31 March 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting 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 ('ICAI'). 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 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 Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 over financial reporting was 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 controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, including the assessment of the risks of material misstatement of the standalone 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 system over financial reporting.



Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting 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 over financial reporting 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 Over Financial Reporting


Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2020, based on the internal control over financial reporting 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.



FOR G R MODI & CO
CHARTERED ACCOUNTANTS
FRN NO. 112617W


SWAPNIL MODI
(PARTNER.)
M NO. 107574

Mumbai
8th May 2020

UDIN NO. 20107574AAAABC7596

Ajanta Pharma Nigeria Ltd.			
Balance Sheet as at 31 March 2020			
	Note	31-Mar-20 Rs. in Lacs	31-Mar-19 Rs. in Lacs
Assets			
Non-current assets			
Property, plant and equipment	7	73.28	-
Right to use assets	7	8.38	-
		Total non-current assets	81.65
Current assets			
Inventories	8	8.01	-
Financial assets			
Trade receivables	9	-	350.00
Cash and cash equivalents	10	6.29	88.31
Other current assets	11	4.73	9.95
		Total current assets	19.03
		Total assets	100.69
Equity and Liabilities			
Equity			
Equity share capital	12	136.70	136.70
Other Equity	13	(84.21)	(21.77)
		Total equity	52.49
Liabilities			
Non current liabilities			
Lease liability	14	9.44	-
Current liabilities			
Financial liabilities			
Trade payables	15	19.04	190.55
Other current liabilities	16	19.71	142.77
		Total current liabilities	38.76
		Total Equity and Liabilities	100.69
Significant accounting policies			
The note referred to above form part of an Consolidated financial statement			
As per our report of even date attached			
In terms of our report attached			
 <p>FOR G R MODI & CO CHARTERED ACCOUNTANTS FRN NO. 12617W</p> <p><i>Swapnil Modi</i> SWAPNIL MODI (PARTNER.) M NO. 107574</p>		<p>For and on behalf of Board of Directors of Ajanta Pharma Nigeria Ltd.</p> <p><i>Gaurang Shah</i> Gaurang Shah Director</p>	
Mumbai, 8 May, 2020		Mumbai, 8 May, 2020	
UDIN NO. 20107574AAAABC7596			

Ajanta Pharma Nigeria Ltd.			
Statement of Profit and Loss Account for the year ended 31 March 2020			
		31-Mar-20	31-Mar-19
	Note	Rs. in Lacs	Rs. in Lacs
Income			
Revenue from operations	17	167.89	339.19
Other income		-	-
Total income		167.89	339.19
Expenses			
Cost of materials consumed		-	-
Purchase of stock-in-trade	18	114.90	171.44
Changes in inventories of finished goods/work-in-progress/stock-in-trade	19	(7.94)	-
Employee benefits expenses	20	4.81	2.95
Finance costs	21	1.18	-
Depreciation & amortisation expense	22	30.24	-
Other expenses	23	113.80	208.97
Total expenses		257.00	383.37
Profit before tax		(89.11)	(44.18)
Tax expense			
Current tax		(26.99)	(12.54)
Deffered tax		-	-
Profit for the year		(62.12)	(31.65)
Other comprehensive income / (loss)			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		0.64	(15.72)
Income tax relating to items that will be reclassified to profit or loss		-	-
Net other comprehensive income / (loss) to be reclassified subsequently to profit or loss		0.64	(15.72)
Other comprehensive income / (loss) for the year, net of tax		0.64	(15.72)
Total comprehensive income / (loss) for the year		(61.48)	(47.37)
Earning Per Equity Share (Basic & Diluted) (Face Value NN 1/-) (In Rs.)	25	(0.10)	(0.05)
Significant accounting policies			
The note referred to above form part of an Consolidated financial statement			
As per our report of even date attached			
In terms of our report attached			
 <p>FOR G R MODI & CO CHARTERED ACCOUNTANTS FRN NO. 113617W SWAPNIL MODI (PARTNER.) M NO. 107574</p>		<p>For and on behalf of Board of Directors of Ajanta Pharma Nigeria Ltd.</p> <p>Gaurang Shah</p> <p>Gaurang Shah Director</p>	
Mumbai, 8 May, 2020		Mumbai, 8 May, 2020	
UDIN NO. 20107574AAAABC7596			

Ajanta Pharma Nigeria Ltd.			
Statement of Cash flow for the year ended 31 March 2020			(₹ in Laacs)
		31 March 2020	31 March 2019
A.	Cash flow from operating activities		
	Profit before tax	(89.11)	(44.18)
	Adjustment for:		
	Depreciation & amortisation expense	30.24	-
	Interest expense	1.18	-
	Unrealised foreign exchange difference	0.64	(15.72)
	Operating profit before working capital changes	(57.04)	(59.90)
	Changes in working capital		
	Decrease / (increase) in trade receivable	350.00	764.97
	Decrease / (increase) in other current assets	5.21	(5.15)
	Decrease / (increase) in inventories	(8.01)	-
	Increase / (decrease) in other current liabilities	(123.06)	(689.18)
	Increase / (decrease) in trade payables	(171.51)	(422.29)
	Cash generated from operations	(4.41)	(41.56)
	Net income tax paid	26.99	12.54
	Net cash flow generated from operating activities	22.57	(399.02)
B.	Cash flow from investing activities		
	Purchase of fixed assets-including intangible assets & cwip	(99.91)	-
	Capital expenditure on right to use asset	(12.95)	-
	Net cash used in investing activities	(112.86)	-
C.	Cash flow from financing activities		
	Interest paid	(1.18)	-
	Repayment of lease liability (including interest thereon)	9.44	-
	Net cash used in financing activities	8.26	-
	Net increase / (decrease) in cash and cash equivalents	(82.02)	(399.02)
	Cash and cash equivalents as at the beginning of the year	88.31	487.33
	Cash and cash equivalents as at the end of the year	6.29	88.31

Figures in brackets indicates outflow

Note :

- The above Cash Flow Statement has been prepared under 'Indirect Method' as set out in Accounting Standard 7 (Ind AS - 7) 'Statement of Cash Flow' under Section 133 of the Companies Act 2013.
- Cash comprises cash on hand, current accounts and deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition).

Significant accounting policies

The note referred to above form part of an Consolidated financial statement
As per our report of even date attached

In terms of our report attached



FOR G R MODI & CO
CHARTERED ACCOUNTANTS
FRN NO. 413617W
[Signature]
SWAPNIL MODI
(PARTNER)
M NO. 107574

For and on behalf of Board of Directors of
Ajanta Pharma Nigeria Ltd.

Gaurang
g Shah

Gaurang Shah
Director
Mumbai, 8 May, 2020

Mumbai, 8 May, 2020

UDIN NO. 20107574AAAABC7596

Ajanta Pharma Nigeria Ltd.
Statement of Changes in Equity for the year ended 31 March 2020

A. Equity Share Capital				₹ in Lacs
	Balance as at 1 April 2019	Changes in equity share capital during the year	Balance as at 31 March 2020	
Authorised :	137.75	-	137.75	
Issued :	136.70	-	136.70	
Subscribed & Paid up:	136.70	-	136.70	

B. Other Equity										
Particulars	Capital Redemption Reserve	Securities Premium Account	General Reserve	Share Based Payment Reserve	Retained Earnings	Foreign Currency Translation Reserve	Other Items of other comprehensive Income	Total	Non-Controlling Interests	Total Equity
As at 1 April 2018	-	-	(32.80)	-	12.20	46.20	-	25.59	-	25.59
Profit for the period	-	-	-	-	(31.65)	-	-	(31.65)	-	(31.65)
Other comprehensive Income	-	-	-	-	-	(15.72)	-	(15.72)	-	(15.72)
Total comprehensive Income	-	-	-	-	(31.65)	(15.72)	-	(47.37)	-	(47.37)
Transfer to General reserve	-	-	-	-	-	-	-	-	-	-
At 31 March 2019	-	-	(32.80)	-	(19.45)	30.48	-	(21.77)	-	(21.77)
Profit for the period	-	-	-	-	(62.12)	-	-	(62.12)	-	(62.12)
Other comprehensive Income	-	-	-	-	-	0.64	-	0.64	-	0.64
Total comprehensive Income	-	-	-	-	(62.12)	0.64	-	(61.48)	-	(61.48)
Transfer to Retained Earnings	-	-	-	-	(0.96)	-	-	(0.96)	-	(0.96)
At 31 March 2020	-	-	(32.80)	-	(82.53)	31.13	-	(84.21)	-	(84.21)

See accompanying notes forming part of the financial statements.

In terms of our report attached



FOR G R MODI & CO
CHARTERED ACCOUNTANTS
FIN NO. 107574
G R MODI
SWAPNIL MODI
(PARTNER)
M NO: 107574

For and on behalf of Board of Directors of Ajanta Pharma Nigeria Ltd.

Gaurang Shah

Gaurang Shah
Director

Gaurang Shah & Co.
Chartered Accountants
107574
Mumbai

Mumbai, 8 May, 2020
UDIN NO. 20107574AAAAABC7596

Ajanta Pharma Nigeria Ltd.

Notes to the Financial Statements as on 31 March 2020

1. Corporate Information

Ajanta Pharma Nigeria Ltd. is a limited liability company incorporated and domiciled in Nigeria and is a wholly owned subsidiary of Ajanta Pharma Ltd., India. The address of its registered office is located at Block 6, House 6b, Howson Wright Estate, Oregun Road, Ojota, Lagos, Nigeria.

The Company is primarily involved in the business of pharmaceutical and related activities.

The Financial Statement for the Company were authorised for issue by the Company's Board of Directors on 8 May, 2020.

2. Basis of preparation

The Financial Statement of the Company have been prepared in all material aspects in accordance with the recognition & measurement principles laid down in Indian Accounting Standards (hereinafter referred to as the 'Ind AS') read with Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015 as amended and other relevant provisions of the Act and accounting principles generally accepted in India.

The financial statements have been prepared on an accrual basis and under the historical cost basis, which have been measured at fair value or revalued amount wherever applicable.

3. Functional and Presentation Currency:

Functional currency of the Company is Nigerian Niara (NN). The financial statement is prepared & presented in Indian Rupees (INR) as it is the functional currency of the Holding Company.

4. Rounding of Amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lacs.

5. Current versus non-current classification:

The assets and liabilities in the balance sheet are presented based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle, or
- Held primarily for the purpose of trading, or
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as Non-Current.

A liability is current when it is:

- Expected to be settled in normal operating cycle, or
- Held primarily for the purpose of trading, or
- Due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are treated as Non-Current.

Ajanta Pharma Nigeria Ltd.

Notes to the Financial Statements as on 31 March 2020

Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

Operating Cycle

Based on the nature of products / activities of the Group and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

6. Significant Accounting Policies

6.1 Property, Plant and Equipment

Property, Plant and Equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Depreciation is calculated on the straight-line method to write off the cost of assets, to their residual values over their estimated useful life as follows:

Particulars	Useful Life
Motor Vehicles	4 years

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each end of reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the statement of profit or loss.

6.2 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Classification

Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, on the basis of its business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

Initial Recognition and Measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent Measurement

For the purpose of subsequent measurement, financial assets are classified in two broad categories:

- Financial assets at fair value (FVTPL / FVTOCI)
- Financial assets at amortised cost

Ajanta Pharma Nigeria Ltd.

Notes to the Financial Statements as on 31 March 2020

When assets are measured at fair value, gains and losses are either recognised in the statement of profit and loss (i.e. fair value through profit or loss (FVTPL)), or recognised in other comprehensive income (i.e. fair value through other comprehensive income (FVTOCI)).

Financial Assets measured at Amortised Cost (net of any write down for impairment, if any)

Financial assets are measured at amortised cost when asset is held within a business model, whose objective is to hold assets for collecting contractual cash flows and contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method less impairment, if any. The losses arising from impairment are recognised in the Statement of profit and loss.

Financial Assets measured at Fair Value through Other Comprehensive Income ("FVTOCI")

Financial assets under this category are measured initially as well as at each reporting date at fair value, when asset is held within a business model, whose objective is to hold assets for both collecting contractual cash flows and selling financial assets. Fair value movements are recognized in the other comprehensive income.

Financial Assets measured at Fair Value through Profit or Loss ("FVTPL")

Financial assets under this category are measured initially as well as at each reporting date at fair value with all changes recognised in profit or loss.

Investment in Equity Instruments

Equity instruments which are held for trading are classified as at FVTPL. All other equity instruments are classified as FVTOCI. Fair value changes on the instrument, excluding dividends, are recognised in the other comprehensive income. There is no recycling of the amounts from other comprehensive income to profit or loss.

Investment in Debt Instruments

A debt instrument is measured at amortised cost or at FVTOCI. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVOCI, is classified as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the Statement of profit and loss.

Derecognition of Financial Assets

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or Company has transferred its rights to receive cash flows from the asset.

Impairment of Financial Assets

In accordance with Ind - AS 109, Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instruments and trade receivables.

Financial Liabilities

Classification

Company classifies all financial liabilities as subsequently measured at amortised cost or FVTPL.

Ajanta Pharma Nigeria Ltd.

Notes to the Financial Statements as on 31 March 2020

Initial Recognition and Measurement

All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs.

Financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent Measurement

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Derivative Financial Instrument

The Company uses derivative financial instruments, such as forward currency contracts to mitigate its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

6.3 Inventories

Finished products including traded goods are valued at lower of cost (on moving weighted average basis) and net realisable value. The cost of Inventories have been computed to include all cost of purchases, cost of conversion, appropriate share of fixed production overheads based on normal capacity and other related cost incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Slow and non-moving, obsolesces, defective inventory are fully provided for and valued at net realisable value. Goods and materials in transit are valued at actual cost incurred up to the date of balance sheet.

6.4 Cash And Cash Equivalents

Cash and Cash Equivalents comprise of cash on hand and cash at bank including fixed deposit/highly liquid investments with original maturity period of three months or less that are

Ajanta Pharma Nigeria Ltd.

Notes to the Financial Statements as on 31 March 2020

readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalent for the purpose of statement of cash flow.

6.5 Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flow from operating, investing and financing activities of the Company are segregated.

6.6 Foreign Currency Transactions

Revenue Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing on the date of the transaction.

Monetary items denominated in foreign currencies at the year-end are re-measured at the exchange rate prevailing on the balance sheet date. Non-monetary foreign currency items are carried at cost.

Any income or expense on account of exchange difference either on settlement or on restatement is recognised in the Statement of Profit and Loss.

6.7 Revenue Recognition

The Company recognises revenue to depict the transfer of promised goods or services to customers. In accordance with Ind-AS 115 Revenue from Contracts with Customers, the Company recognises revenue by applying the following five steps:

- Step 1: Identify the contract(s) with a customer

The Company applies the revenue recognition model to each contract with a customer once it is probable the entity will collect the consideration to which it will be entitled. Contracts for this purpose may be written, verbal or implied by customary business practices, but must be enforceable and have commercial substance. In evaluating whether collection is probable, the Company considers only the customer's ability and intention to pay the consideration when due.

- Step 2: Identify the performance obligations in the contract

Once the contract has been identified, the Company evaluates the terms and customary business practices to identify which promised goods or services should be accounted for as separate performance obligations. The key determinant for identifying a separate performance obligation is whether a good or service, or a bundle, is distinct. A good or service is distinct if the customer can benefit from the good or service on its own or together with other readily available resources and the good or service is separately identifiable from other promises in the contract. The Company treats each distinct good or service as a separate performance obligation.

- Step 3: Determine the transaction price

The transaction price is the amount of consideration to which an entity expects to be entitled and includes:

Ajanta Pharma Nigeria Ltd.

Notes to the Financial Statements as on 31 March 2020

-An estimate of any variable consideration determined using either a probability-weighted expected value or the most likely amount, whichever better predicts the amount of consideration to which the Company will be entitled

-The effect of the time value of money, if there is a financing component that is significant to the contract

-The fair value of any non-cash consideration

- Step 4: Allocate the transaction price to the performance obligations in the contract

The Company usually allocates transaction price to each separate performance obligation on a relative stand-alone selling price basis. When determining stand-alone selling prices, the Company uses observable information, if it is available. If stand-alone selling prices are not directly observable, the Company estimates such prices based on reasonably available information, e.g., adjusted market assessment approach or an expected cost plus a margin approach. Only when the stand-alone selling price of a good or service is highly variable or uncertain, the Company use residual approach for allocation.

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Company determines whether it satisfies performance obligation by transferring control of a promised good or service over time or at a point in time to the customer. A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case, it is satisfied over time:

-The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs

-The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced

The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date Revenue from sale of goods is recognised, when all significant risks and rewards are transferred to the buyer, as per the terms of contracts and no significant uncertainty exists regarding amount of the consideration that will be derived from the sale of goods.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of goods, it is probable that the economic benefit will flow to the Company, the associated costs and possible return of goods can be estimated reliably, there is neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold and the amount of revenue can be measured reliably. The Company is principal in all of its revenue arrangements, since it is the primary obligor in all of the revenue arrangements, as it has pricing latitude and is exposed to inventory and credit risks.

Provisions for chargeback, rebates and discounts are estimated and provided for in the year of sales and recorded as reduction of revenue.

Revenue is measured at the fair value of the consideration received or receivable. Amount disclosed as revenue are inclusive of excise duty, excluding Goods and Services tax (GST), sales tax or value added taxes or service taxes or duties collected on behalf of the government, and net of amounts collected on behalf of third parties.

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When the financing element is significant, the Company adjusts the transaction price for the time value of money. The objective when adjusting the consideration for a significant financing component is to recognise revenue at the cash selling price.

Revenue from sale of technology / know how (rights, licences and other intangibles) are recognised when performance obligation is completed as per the terms of the agreement. Incomes from services are recognised when services are rendered.

Interest income is recognised on time proportion basis. Insurance and other claims are recognised as a revenue on certainty of receipt on prudent basis. Export benefits available under prevalent schemes are accounted to the extent considered receivable.

Dividend income is recognised when the Entity's right to receive the payment is established, which is generally when shareholders approve the dividend.

6.8 Employee Benefits

Short-term Benefits - The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages and other non-monetary benefits.

Post-Employment Benefits – No provision has been made in respect of employee retirement benefits as employees are not eligible for such benefits. Besides the company does not have any pension scheme or any contracted agreement binding itself to the employees.

Share-based compensation

Company has no share based compensation plan.

6.9 Borrowing Costs

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

6.10 Lease

The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (1) the contract involves the use of an identified asset (2) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

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The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the generally accepted interest rate. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

Transition

Effective April 1, 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the generally accepted interest rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the generally accepted interest rate at the date of initial application. Comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended March 31, 2019.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of ₹12.95 Lacs and a lease liability of ₹13.91 Lacs. The cumulative effect of applying the standard, amounting to ₹0.96 Lacs was debited to retained earnings, net of taxes. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

The following is the summary of practical expedients elected on initial application:

- a. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
- b. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.

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- c. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- d. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The difference between the lease obligation recorded as of March 31, 2019 under Ind AS 17 disclosed under Note 21 of the 2019 Annual Report and the value of the lease liability as of April 1, 2019 is primarily on account of inclusion of extension and termination options reasonably certain to be exercised, in measuring the lease liability in accordance with Ind AS 116 and discounting the lease liabilities to the present value under Ind AS 116.

The interest rate applied to lease liabilities as at April 1, 2019 is 9%.

6.11 Earnings Per Share

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

6.12 Income Taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in net profit in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

6.13 Dividends to Shareholders

Annual dividend distribution to the shareholders is recognised as a liability in the period in which the dividends are approved by the shareholders. Any interim dividend paid is recognised on approval by Board of Directors. Dividend payable is recognised directly in equity.

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6.14 Provisions, Contingent Liabilities, Contingent Assets and Commitments

General

Provisions (legal and constructive) are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and those risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as expense finance cost. When some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- A present obligation arising from past events, when no reliable estimates is possible;
- A possible obligation arising from past events, unless the probability of outflow of resources is remote.

Contingent liabilities are not recognised but disclosed in the Financial Statements. Contingent assets are neither recognised nor disclosed in the Financial Statements.

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets and Non-cancellable operating lease.

Provisions, contingent liabilities, contingent assets and commitments are reviewed at each balance sheet date.

Asset Retirement Obligation

Asset retirement obligations (ARO) are provided for those operating lease arrangements where the Company has a binding obligation at the end of the lease period to restore the leased premises in a condition similar to inception of lease. ARO are provided at the present value of expected costs to settle the obligation using discounted cash flows and are recognised as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is recognised in the income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

6.15 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date in accordance with Ind AS 113.

Financials Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value received from Bank.
- Mutual Funds are measured at fair values as per Net Asset Value (NAV).
- Employee Stock Option Plan (ESOP) at fair values as per Actuarial Valuation Report.

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Fair value is the price that would be received to sell an asset or settle a liability in an ordinary transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

6.16 Recent accounting pronouncements

Standards issued but not yet effective

6.17 Critical accounting judgements, estimates and assumptions

The preparation of the Company's financial statements 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. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities in future periods.

(a) Arrangement containing lease

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease. At the inception or on reassessment of an arrangement that contains a lease, Company separates payments and other consideration required by the arrangement into those for the lease and those for the other elements on the basis of their relative fair values.

The Company has determined, based on an evaluation of the terms and conditions of the arrangements that such contracts are in the nature of operating leases.

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(b) Multiple element contracts with vendors

The Company has entered into multiple element contracts with vendors for supply of goods and rendering of services. The consideration paid is/may be determined independent of the value of supplies received and services availed. Accordingly, the supplies and services are accounted for based on their relative fair values to the overall consideration. The supplies with finite life under the contracts (as defined in the significant accounting policies) have been accounted under Property, Plant and Equipment and/or as Intangible assets, since the Company has economic ownership in these assets. Company believes that the current treatment represents the substance of the arrangement.

(c) Property, Plant and equipment

Determination of the estimated useful life of tangible assets and the assessment as to which components of the cost may be capitalized. Useful life of tangible assets is based on the life of useful lives/rates prescribed by the GAAPs of the respective countries. Assumptions also need to be made, when the Company assesses, whether an asset may be capitalised and which components of the cost of the asset may be capitalised.

(d) Intangible Assets

Internal technical or user team assess the remaining useful lives of Intangible assets. Management believes that assigned useful lives are reasonable.

(e) Recognition and measurement of defined benefit obligations

The obligation arising from the defined benefit plan is determined on the basis of actuarial assumptions. Key actuarial assumptions include discount rate, trends in salary escalation and vested future benefits and life expectancy. The discount rate is determined with reference to market yields at the end of the reporting period on the government bonds. The period to maturity of the underlying bonds correspond to the probable maturity of the post-employment benefit obligations.

(f) Recognition of deferred tax assets and income tax

Deferred tax asset is recognised for all the deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The management assumes that taxable profits will be available while recognising deferred tax assets.

Management judgment is required for the calculation of provision for income taxes and deferred tax assets and liabilities. The Company reviews at each balance sheet date the carrying amount of deferred tax assets. The factors used in estimates may differ from actual outcome which could lead to significant adjustment to the amounts reported in the financial statements.

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective country.

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Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, future tax planning strategies and recent business performances and developments.

(g) Recognition and measurement of other provisions

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the balance sheet date. The actual outflow of resources at a future date may, therefore, vary from the figure included in other provisions.

(h) Contingencies

Management judgement is required for estimating the possible outflow of resources, if any, in respect of contingencies/claim/litigations against the Company as it is not possible to predict the outcome of pending matters with accuracy.

(i) Allowance for uncollected accounts receivable and advances

Trade receivables do not carry any interest and are stated at their normal value as reduced by appropriate allowances for estimated irrecoverable amounts. Individual trade receivables are written off when management seems them not collectible. Impairment is made on the expected credit losses, which are the present value of the cash shortfall over the expected life of the financial assets.

The impairment provisions for financial assets are based on assumption about risk of default and expected loss rates. Judgement in making these assumption and selecting the inputs to the impairment calculation are based on past history, existing market condition as well as forward looking estimates at the end of each reporting period.

(j) Insurance claims

Insurance claims are recognised when the Company has reasonable certainty of recovery.

(k) Impairment reviews

An impairment exists when the carrying value of an asset or cash generating unit ('CGU') exceeds its recoverable amount. Recoverable amount is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. In calculating the value in use, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectations of growth in EBITDA, long term growth rates; and the selection of discount rates to reflect the risks involved.

Ajanta Pharma Nigeria Ltd. Notes to Financial Statement for the year ended 31 March 2020					
	31-Mar-20		31-Mar-19		
	Rs. in Lacs		Rs. in Lacs		
8 Inventories					
(As certified by the management)					
Stock-in-trade		8.01		-	
		8.01		-	
9 Trade Receivables					
Unsecured, considered good unless otherwise stated					
-Considered good		-		350.00	
		-		350.00	
10 Cash and cash equivalents					
Cash and Cash Equivalents					
Balance with Banks - In Current Accounts		6.29		88.31	
		6.29		88.31	
11 Other Current Assets					
Advances to Suppliers		4.35		8.89	
Advances to Employees		0.39		1.06	
		4.73		9.95	
Ajanta Pharma Nigeria Ltd. Notes to Financial Statement for the year ended 31 March 2020					
12 Equity Share Capital					
		31-Mar-20		31-Mar-19	
		Number of Shares	Rs. in Lacs	Number of Shares	Rs. in Lacs
Authorised :					
Ordinary Shares of NN 1 each		60,000,000	137.75	60,000,000	137.75
Issued, Subscribed & Paid up :					
Ordinary Shares of NN 1 each fully paid up		60,000,000	136.70	60,000,000	136.70
(a) Reconciliation of number of equity shares outstanding at the beginning and at the end of the year :					
		31 March 2020		31 March 2019	
		Number of Shares	Rs. Lacs	Number of Shares	Rs. Lacs
Number of shares outstanding as at the beginning of the year		60,000,000	136.70	60,000,000	136.70
Add : Number of shares allotted as fully paid-up during the year		-	-	-	-
Less: Number of shares bought back during the year		-	-	-	-
Number of shares outstanding as at the end of the year		60,000,000	136.70	60,000,000	136.70
(b) Rights, preferences and restrictions attached to shares					
The company has issued only one class of equity shares with voting rights having a par value of NN 1 per share.					
The company have not declared any dividend.					
In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company. The distribution will be in proportion to the numbers of equity shares held by shareholders.					
(c) Details of equity shareholders holding more than 5%					
Name of Shareholder		31 March 2020		31 March 2019	
		Number of Shares	% Holding	Number of Shares	% Holding
Ajanta Pharma Ltd., India		60,000,000	100.00	60,000,000	100.00
(d) Shares reserved for issue under options		Nil	Nil	Nil	Nil
13 OTHER EQUITY					
General Reserve					
Balance at the beginning of the year			(32.80)		(32.80)
Add : Transferred from Statement of Profit & Loss			-		-
			(32.80)		(32.80)
Exchange Fluctuation Reserve			31.13		30.48
Surplus in the Statement of Profit and Loss					
Balance at the beginning of the year			(19.45)		12.20
Profit for the year			(62.12)		(31.65)
Less: Appropriations					
-Transferred to Retained Earnings			0.96		
Balance at the year end			(82.53)		(19.45)
Total Other Equity			(84.21)		(21.77)

Ajanta Pharma Nigeria Ltd.				
Notes to Financial Statement for the year ended 31 March 2020				
			31-Mar-20	31-Mar-19
			Rs. In Lacs	Rs. In Lacs
14	LEASE LIABILITY			
	Lease liability		9.44	-
			9.44	-
15	Trade Payables			
	Trade Payables to Related Party		19.04	190.55
			19.04	190.55
16	Other Current Liabilities			
	Others payables		19.71	142.77
			19.71	142.77
17	Revenue from Operations			
	Sale of Products			
	Stock-in-Trade		167.89	339.19
			167.89	339.19
18a	Purchases of Traded Goods (Related Party)		10.19	171.44
18b	Purchases of Traded Goods (Others)		104.71	-
19	Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade			
	Inventories at the end of the year :			
	Stock-in-trade		7.94	-
		(A)	7.94	-
	Inventories at the beginning of the year :			
	Stock-in-trade		-	-
		(B)	-	-
	Total changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade :			
	Work-in-Process		(7.94)	-
	Total changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade	(B) - (A)	(7.94)	-
20	Employee Benefit Expenses			
	Salaries, Wages, Bonus and Allowances		4.81	2.95
			4.81	2.95
21	Finance Cost			
	On Lease Liability		1.18	-
			1.18	-
22	Depreciation			
	Depreciation of Tangible Assets (Refer note 7)		25.67	-
	Depreciation of Right to use Assets (Refer note 7)		4.57	-
			30.24	-
23	Other Expenses			
	Selling Expenses		-	4.37
	Clearing and Forwarding		22.68	59.26
	Travelling Expenses		8.90	15.80
	Rent		-	3.00
	Telephone, Telex & Postage		1.25	0.02
	Repairs to Others		11.72	6.91
	Insurance		1.08	0.91
	Exchange Difference (Net)		52.92	115.22
	Miscellaneous Expenses		15.25	3.48
			113.80	208.97

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Notes to the Financial Statements for the year ended 31 March 2020

24. Capital Management

Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to equity shareholders. The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. Company's target is to achieve a return on capital above 30%, in 2019-20 the return was -168% and in 2018-19 the return was -38%.

Company monitors capital using a ratio of 'adjusted net debt' to 'adjusted equity'. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents and short term investments. Adjusted equity comprises all components of equity.

Company's policy is to keep the ratio below 1.00 and its adjusted net debt to equity ratio at 31 March 2020 was as follows.

Particulars		₹ in Lacs	
		31 March 2020	31 March 2019
Debt (Debt + Current Liabilities)		38.76	333.32
Less: Cash and Cash equivalents		6.29	88.31
Net Debt	A	32.47	245.02
Equity	B	52.49	114.93
Net Debt to Equity ratio	A/B	0.62	2.13

25. Earnings Per share (EPS):

The numerator and denominator used to calculate Basic and Diluted Earnings per Share:

Particulars		31 March 2020	31 March 2019
Basic and Diluted Earnings Per Share:			
Profit attributable to Equity shareholders- for Basic EPS (₹ in Lacs)	A	(62.12)	(31.65)
Add: Dilutive effect on profit (₹ in Lacs)	B	Nil	Nil
Profit attributable to Equity shareholders for computing Diluted EPS (₹ in Lacs)	C=A-B	(62.12)	(31.65)
Weighted Average Number of Equity Shares outstanding - for Basic EPS	D	6,00,00,000	6,00,00,000
Add: Dilutive effect of option outstanding- Number of Equity Shares	E	Nil	Nil
Weighted Average Number of Equity Shares for Diluted EPS	F=D+E	6,00,00,000	6,00,00,000
Face Value per Equity Share (₹)		1	1
Basic Earnings Per Share (₹)	A/D	(0.10)	(0.05)
Diluted Earnings Per Shares (₹)	C/F	(0.10)	(0.05)

26. Employee Benefits

As required by Ind AS 19 'Employee Benefits', the Company offers its employees: Short-term employee benefits - These benefits include salaries and wages and other allowances which are paid immediately. The total consideration paid in 2019-20 was ₹ 4.81 Lacs (Previous Year ₹ 2.95 Lacs).

Retirement plan - No provision has been made in respect of employee retirement benefits as employees are not eligible for such benefits. Besides the company does not have any pension scheme or any contracted agreement binding itself to the employees.

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Notes to the Financial Statements for the year ended 31 March 2020

27. Financial Instrument – fair values and risk management

Fair value measurements	₹ in Lacs			
	31 March 2020		31 March 2019	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost
Financial Instruments by category				
Financial Assets				
Trade Receivables	-	-	-	350.00
Cash and cash equivalents	-	6.29	-	88.31
Total Financial Assets	-	6.29	-	438.31
Financial Liabilities				
Other Current Liabilities	-	19.71	-	142.77
Trade Payables	-	19.04	-	190.55
Total Financial Liabilities	-	38.75	-	333.32

Fair Value Hierarchy	₹ in Lacs					
	31 March 2020			31 March 2019		
	Level			Level		
Financial assets and liabilities measured at fair value	I	II	III	I	II	III
Financial assets						
Non recurring fair value measurement						
Trade Receivables	-	-	-	-	-	350.00
Cash and cash equivalents	-	-	6.29	-	-	88.31
Total Financial Assets	-	-	6.29	-	-	438.31
Financial Liabilities						
Other Current Liabilities	-	-	19.71	-	-	142.77
Trade Payables	-	-	19.04	-	-	190.55
Total Financial Liabilities	-	-	38.75	-	-	333.32

Level 1 – The hierarchy in level 1 includes financial instruments measured using quoted prices. This includes mutual funds that have quoted price. 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 (like forward contracts) 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 required to fair value as 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. This is the case for unlisted equity securities, etc. included in level 3.

A. Financial risk management

Company has exposure to following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the Company's risk management policies, under the guidance of Audit Committee.

Ajanta Pharma Nigeria Ltd.

Notes to the Financial Statements for the year ended 31 March 2020

Company's risk management policies are established to identify and analyse the risks faced by it, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Company, through its training and procedures aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

Company's Audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

i. Credit risk

Company's credit risk is minimal. The trade receivables arise mainly from transactions with its approved customers. The maximum exposure to credit on these transactions is equal to the carrying amount of these financial instruments. Customers are subject to stringent financial, credit and legal verification process. In addition, trade receivable balances are monitored on an ongoing basis to ensure timely collections. Accordingly, the Company's exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the Company, which comprise cash in banks and receivables (except for advances to suppliers), the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company limits its exposure to credit risks by depositing its cash only with financial institutions duly evaluated and approved by the Board of Directors. The Company's receivables is minimal since no default payments were made by the counterparties. An impairment analysis is performed at each reporting date on an individual basis for major clients.

ii. Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Company's objective is to, at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The Company closely monitors its liquidity position and deploys a robust cash management system. Presently the Company has existing long-term loans that fund capital expenditures. Working capital requirements are adequately addressed by internally generated funds. Trade receivables are kept within manageable levels.

iii. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Financial instruments affected by market risk include loans and borrowings, deposits, investments, and derivative financial instruments. Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. All transactions are carried out within the guidelines set by the risk management committee.

The sensitivity analysis have been prepared on the basis of derivatives and the proportion of financial instruments in foreign currencies are all constant. The analysis excludes the impact of movements in market variables on the carrying value of postemployment benefit obligations, provisions and on the non-financial assets and liabilities. The sensitivity of the relevant income statement item is the effect of the assumed changes in the respective market risks. This is based on the financial assets and financial liabilities held as of 31 March 2020 and 31 March 2019.

Ajanta Pharma Nigeria Ltd.

Notes to the Financial Statements for the year ended 31 March 2020

a) **Currency risk**

The Company's foreign exchange risk results primarily from movements of the Nigerian Naira against the US dollar with respect to US dollar denominated financial assets and liabilities. The Company's transactional currency exposures arise from its inventories which is purchases from Holding Company in US dollar. The Company regularly reviews the trend of the foreign exchange rates.

The following table analyses foreign currency risk as of 31 March 2020 and 31 March 2019:

Particulars	₹ in Lacs	
	31 March 2020	31 March 2019
Trade Payables	(19.04)	(190.55)
Net Assets / (Liabilities)	(19.04)	(190.55)

For the year ended 31 March 2020 and 31 March 2019, every percentage point depreciation / appreciation in the exchange rate between the Nigerian Naira and respective currencies has affected the Company's incremental profit before tax as per below:

Year	Change in currency exchange rate	₹ in Lacs
		Effect on profit before tax
31 March 2020	+25% / (-25%)	(4.76) / 4.76
31 March 2019	+25% / (-25%)	32.57 / (32.57)

28. Note on foreign currency exposures on assets and liabilities:

During the year, the Company has not entered into Forward Exchange Contract. The year-end foreign currency exposures that have not been mitigated by a derivative instrument or otherwise are as below:

Particulars	₹ in Lacs		Foreign Currency Amt in Lacs		Foreign Currency
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	
Amount Payable	19.04	190.55	0.25	2.76	USD

b) **Interest rate risk**

The Company have no borrowings and hence there is no interest rate risk.

c) **Price risk**

Company does not have any exposure to price risk, as there is no equity investments.

29. Disclosure for operating leases under Ind AS 116 - "Leases":

The Company have taken a premise under operating lease. The lease is for a period of 12 to 24 months and are renewable upon mutual consent of the parties. There are no contingent rents. The lease payments of ₹ Nil (Previous Year ₹ 3.00 Lacs) are recognised in Statement of Profit and Loss under "Rent" under Note 23.

Transition

Effective April 1, 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the generally accepted interest rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the generally accepted interest rate at the date of initial application. Comparatives as at and for the year ended March 31, 2019 have not been

Ajanta Pharma Nigeria Ltd.

Notes to the Financial Statements for the year ended 31 March 2020

retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended March 31, 2019.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of ₹12.95 Lacs and a lease liability of ₹13.91 Lacs. The cumulative effect of applying the standard, amounting to ₹0.96 Lacs was debited to retained earnings, net of taxes. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

The following is the summary of practical expedients elected on initial application:

- Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The difference between the lease obligation recorded as of March 31, 2019 under Ind AS 17 disclosed under Note 21 of the 2019 Annual Report and the value of the lease liability as of April 1, 2019 is primarily on account of inclusion of extension and termination options reasonably certain to be exercised, in measuring the lease liability in accordance with Ind AS 116 and discounting the lease liabilities to the present value under Ind AS 116.

The interest rate applied to lease liabilities as at April 1, 2019 is 9%.

30. Contingent Liabilities and commitments:

There are no contingent liabilities and commitments by the Company.

31. Related party disclosure as required by Ind AS 24 are given below:

A) Relationships:

Category I – Holding Company & Fellow Subsidiary
Ajanta Pharma Ltd., India (Holding Company)

B) Following transactions were carried out with related parties:

₹ in Lacs

Sr. No.	Particulars	Category	31 March 2020	31 March 2019
1.	Purchase of Goods:			
	Ajanta Pharma Ltd., India	I	140.29	171.44
2.	Purchase Return:			
	Ajanta Pharma Ltd., India	I	382.70	Nil

C) Amount outstanding as on 31 March 2020

₹ in Lacs

Sr. No.	Particulars	Category	31 March 2020	31 March 2019
1.	Trade Payable :			
	Ajanta Pharma Ltd., India	I	19.04	190.55

Ajanta Pharma Nigeria Ltd.

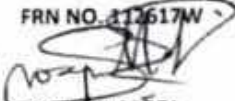
Notes to the Financial Statements for the year ended 31 March 2020

32. The Company has one segment of activity namely "Pharmaceuticals".

In terms of our report attached



FOR G R MODI & CO
CHARTERED ACCOUNTANTS
FRN NO. 312617W


SWAPNIL MODI
(PARTNER.)
M NO. 107574

For and on behalf of Board of
Directors of
Ajanta Pharma Nigeria
Limited

Gauran
g Shah

Gaurang Shah
Director

I hereby certify that
the above is a true and
correct copy of the
financial statements of
Ajanta Pharma Nigeria
Limited for the year
ended 31 March 2020
and that the same
have been audited
in accordance with
the provisions of
Section 143(3) of
the Companies Act, 2013
and the Companies
(Accounts) Rules, 2014
and I am a member of
the Institute of Cost
Accountants of India
(ICAI) and the Institute
of Chartered Accountants
of India (ICAI).

Mumbai, 8 May 2020

UDIN NO. 20107574AAAABC7596