

# Independent Auditor's Report

To the Members of Syngene International Limited

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Syngene International Limited (hereinafter referred to as the "Holding Company"), its employee welfare trust and its subsidiaries (Holding Company, employee welfare trust and subsidiaries together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 March 2023, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, (hereinafter referred to as "the 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 Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2023, of its consolidated profit and other comprehensive loss, consolidated changes in equity and consolidated cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we 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 opinion on the consolidated financial statements.

### 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.

### Financial instruments – Hedge accounting

Refer Note 2(c) and 28 to the consolidated financial statements

#### The key audit matter

The Holding Company enters into forward, option and interest rate swap contracts to hedge its foreign exchange and interest rate risks. Foreign exchange risks arise from sales to customers as significant part of its revenues are denominated in foreign currency with most of the costs denominated in Indian Rupees (INR). Foreign exchange risks also arise from foreign currency borrowings. The interest rate risks arises from the variable rate of interest on its foreign currency borrowings.

The Holding Company designates a significant portion of its derivatives as cash flow hedges of highly probable forecasted transactions. Derivative financial instruments are recognized at their fair value as of the balance sheet date on the basis of valuation report obtained from third party specialists. Basis such valuations, effective portion of derivative movements are recognized within equity.

These matters are of importance to our audit due to complexity in the valuation of derivative contracts and complex accounting and documentation requirements under Ind AS 109: "Financial Instruments".

#### How the matter was addressed in our audit

Our audit procedures in relation to hedge accounting included the following, amongst others:

- Tested the design and operating effectiveness of the Holding Company's controls around hedge accounting;
- We involved valuation specialists to assess the fair value of the derivatives by testing sample contracts;
- We analyzed critical terms (such as nominal amount, maturity and underlying) of the hedging instrument and the hedged item to assess they are closely aligned;
- We analysed the estimate of highly probable forecasted transactions and tested the impact of ineffective hedges, if any; and
- We verified the accounting of derivative financial instruments including the effects on equity and earnings.

*Independent Auditor's Report (Continued)***Taxation**

Refer Note 2(o), 30 and 31 to the consolidated financial statements

**The key audit matter**

The Holding Company's operations are majorly based out of units registered as Special Economic Zone (SEZ) and Export Oriented Unit (EOU). Accordingly, the Holding Company enjoys certain deductions/benefits with respect to payment of income-tax and other indirect taxes, some of which are subject matters of dispute with tax authorities.

The Holding Company periodically assesses its tax positions, which include examination by the external tax consultant and tax counsels appointed by the Holding Company.

Judgment is required in assessing the range of possible outcomes for some of these tax matters. These judgements could change over time as each of the matter progresses depending on experience on actual assessment proceedings by tax authorities and other judicial precedents.

The Holding Company makes an assessment to determine the outcome of these uncertain tax positions and decides to make an accrual or consider it to be a possible contingent liability. Where the amount of tax liabilities are uncertain, the Holding Company recognises accruals which reflect its best estimate of the outcome based on the facts known as at the reporting date. Accordingly, we focused on this area.

**How the matter was addressed in our audit**

Our audit procedures in relation to taxation include the following, amongst others:

- Tested the design and operating effectiveness of the Holding Company's controls around the tax computation and assessment of uncertain tax positions;
- We obtained an understanding of the key uncertain tax positions based on list of ongoing litigations and tax computations for the current year;
- We analysed select key correspondences with the tax authorities to identify any additional uncertain tax positions;
- We analysed Holding Company's judgment regarding the eventual resolution of matters with various tax authorities. In this regard, we understood how Holding Company has considered past experience, where available, with the tax authorities in the respective jurisdictions;

**Information Other than the Consolidated Financial Statements and Auditor's Report thereon**

The Holding Company's Management and Board of Directors are responsible for the other information. The other information comprises the Management Reports such as Board's Report, Management Discussion and Analysis, Corporate Governance Report and Business Responsibility and Sustainability Report, but does not include the financial statements and auditor's report thereon, which we obtained prior to the date of this auditor's report, and the the remaining sections of the Holding Company's Annual Report, which are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed and other information that we obtained prior to the date of this auditor's report on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other sections of the Annual Report (other than those mentioned above), if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions, as applicable under the applicable laws and regulations.

**Management's and Board of Directors'/Board of Trustees Responsibilities for the Consolidated Financial Statements**

The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/ loss and other comprehensive income, consolidated statement of changes in equity and

### *Independent Auditor's Report (Continued)*

consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The respective Management and Board of Directors /Board of Trustees of the companies/Trust included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company/Trust and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Management and Board of Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Management and Board of Directors /Board of Trustees of the companies/Trust included in the Group are responsible for assessing the ability of each company/Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors /Board of Trustees of the companies/Trust included in the Group are responsible for overseeing the financial reporting process of each company/Trust.

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

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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. 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 consolidated 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 Group to cease to continue as a going concern.

*Independent Auditor's Report (Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

**2 A. As required by Section 143(3) of the Act, we report, to the extent applicable, 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 of the aforesaid consolidated financial statements.
- b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
- c. The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- d. In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.
- e. On the basis of the written representations received from the directors of the Holding Company as on 31 March 2023 taken on record by the Board of Directors of the Holding Company and its subsidiary companies incorporated in India incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on 31 March 2023 from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

*Independent Auditor's Report (Continued)***B. 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:**

- a. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2023 on the consolidated financial position of the Group. Refer Note 31 to the consolidated financial statements.
- b. Provision has been made in the consolidated financial statements, as required under the applicable law or Ind AS, for material foreseeable losses, on long-term contracts including derivative contracts. Refer Note 28 to the consolidated financial statements in respect of such items as it relates to the Group.
- c. There are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Holding Company or its subsidiary companies incorporated in India during the year ended 31 March 2023.
- d.
  - (i) The respective management has represented that, to the best of its knowledge and belief, as disclosed in the Note 39(v) to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or its subsidiary companies, to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Holding Company or its subsidiary companies, ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
  - (ii) The respective management has represented that, to the best of its knowledge and belief, other than as disclosed in the Note 39(vi) to the consolidated financial statements, no funds have been received by the Holding Company or its subsidiary companies, from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company or its subsidiary companies, shall directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Parties ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
  - (iii) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (i) and (ii) above, contain any material misstatement.
- e. The final dividend paid by the Holding Company during the year, in respect of the same declared for the previous year, is in accordance with Section 123 of the Act to the extent it applies to payment of dividend.

As stated in Note 43(b) to the consolidated financial statements, the respective Board of Directors of the Holding Company has proposed final dividend for the year which is subject to the approval of the respective members at the ensuing Annual General Meeting. The dividend declared is in accordance with Section 123 of the Act to the extent it applies to declaration of dividend.

- f. As proviso to rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Holding Company or its subsidiary companies, only with effect from 1 April 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 is not applicable.

**C. With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Act:**

In our opinion and according to the information and explanations given to us, the remuneration paid during the current year by the Holding Company and its subsidiary companies incorporated in India to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Holding Company and its subsidiary companies incorporated in India is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) of the Act which are required to be commented upon by us.

For **B S R & Co. LLP**

*Chartered Accountants*

*Firm's Registration No.:101248W/W-100022*

**Sampad Guha Thakurta**

*Partner*

Membership No.: 060573

ICAI UDIN:23060573BGYNDF3376

Place: Bengaluru

Date: 26 April 2023

## Annexure A to the Independent Auditor's Report on the Consolidated Financial Statements of Syngene International Limited for the year ended 31 March 2023

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

(xxi) In our opinion and according to the information and explanations given to us, following companies incorporated in India and included in the consolidated financial statements, have unfavourable remarks, qualification or adverse remarks given by the respective auditors in their reports under the Companies (Auditor's Report) Order, 2020 (CARO):

Sr. No.	Name of the entities	CIN	Holding Company/ Subsidiary/ JV/ Associate	Clause number of the CARO report which is unfavourable or qualified or adverse
1	Syngene Scientific Solutions Limited	U73200KA2022PLC164804	Subsidiary	3(xvii)
2	Syngene Manufacturing Solutions Limited	U24290KA2022PLC165409	Subsidiary	3(xvii)

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No.:101248W/W-100022

**Sampad Guha Thakurta**

Partner

Membership No.: 060573

ICAI UDIN:23060573BGYNDF3376

Place: Bengaluru

Date: 26 April 2023

## **Annexure B to the Independent Auditor's Report on the Consolidated Financial Statements of Syngene International Limited for the year ended 31 March 2023**

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

**(Referred to in paragraph 2(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

#### **Opinion**

In conjunction with our audit of the consolidated financial statements of Syngene International Limited (hereinafter referred to as "the Holding Company") as of and for the year ended 31 March 2023, we have audited the internal financial controls with reference to financial statements of the Holding Company and such companies incorporated in India under the Act which are its subsidiary companies, as of that date.

In our opinion, the Holding Company and such companies incorporated in India which are its subsidiary companies, has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2023, based on the internal financial controls with reference to financial statements criteria established by the Holding Company and its subsidiary companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

#### **Management's and Board of Directors' Responsibilities for Internal Financial Controls**

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

#### **Auditor's Responsibility**

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

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



*Annexure B to the Independent Auditor's Report on the consolidated financial statements of Syngene International Limited for the year ended 31 March 2023 (Continued)*

### **Meaning of Internal Financial Controls with Reference to Financial Statements**

A company's internal financial controls with reference to financial statements 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 controls with reference to financial statements include 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

### **Inherent Limitations of Internal Financial Controls with Reference to Financial Statements**

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

For **B S R & Co. LLP**

*Chartered Accountants*

*Firm's Registration No.:101248W/W-100022*

**Sampad Guha Thakurta**

*Partner*

Membership No.: 060573

ICAI UDIN:23060573BGYNDF3376

Place: Bengaluru

Date: 26 April 2023

# Consolidated Balance Sheet

as at March 31, 2023

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

	Note	31 March 2023	31 March 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3 (a)	23,834	21,229
Capital work-in-progress	3 (a)	1,769	3,464
Right-of-use assets	3 (b)	2,169	2,188
Investment property	3 (c)	481	385
Other intangible assets	4	185	126
Financial assets			
(i) Investments	5(a)	941	2,703
(ii) Derivative assets		841	1,249
(iii) Other financial assets	6(a)	1,511	203
Deferred tax assets (net)	7	696	656
Income tax assets (net)		1,381	1,191
Other non-current assets	8(a)	249	185
<b>Total non-current assets</b>		<b>34,057</b>	<b>33,579</b>
<b>Current assets</b>			
Inventories	9	3,328	1,794
Financial assets			
(i) Investments	5(b)	8,244	7,638
(ii) Trade receivables	10	5,293	5,077
(iii) Cash and cash equivalents	11(a)	895	2,618
(iv) Bank balances other than (iii) above	11(b)	4,422	2,561
(v) Derivative assets		460	842
(vi) Other financial assets	6(b)	552	384
Other current assets	8(b)	1,059	1,145
<b>Total current assets</b>		<b>24,253</b>	<b>22,059</b>
<b>Total assets</b>		<b>58,310</b>	<b>55,638</b>

# Consolidated Balance Sheet

As at March 31, 2023

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

	Note	31 March 2023	31 March 2022
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	12 (a)	4,014	4,008
Other equity	12 (b)	32,166	28,968
<b>Total equity</b>		<b>36,180</b>	<b>32,976</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
(i) Borrowings	13(a)	4,890	5,315
(i)(a) Lease liabilities	35	2,142	2,102
(ii) Derivative liabilities		215	84
Provisions	14(a)	437	344
Other non-current liabilities	15(a)	2,564	2,528
<b>Total non-current liabilities</b>		<b>10,248</b>	<b>10,373</b>
<b>Current liabilities</b>			
Financial liabilities			
(i) Borrowings	13(b)	863	2,581
(i)(a) Lease liabilities	35	257	218
(ii) Trade payables	16		
total outstanding dues of micro and small enterprises		166	34
total outstanding dues of creditors other than micro and small enterprises		2,414	2,294
(iii) Derivative liabilities		377	8
(iv) Other financial liabilities	17	582	1,098
Provisions	14(b)	510	582
Current tax liabilities (net)		147	240
Other current liabilities	15(b)	6,566	5,234
<b>Total current liabilities</b>		<b>11,882</b>	<b>12,289</b>
<b>Total equity and liabilities</b>		<b>58,310</b>	<b>55,638</b>

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

As per our report of even date attached

for **B S R & Co. LLP**

Chartered Accountants

Firm Registration No: 101248W/W-100022

**Sampad Guha Thakurta**

Partner

Membership number: 060573

Bengaluru

April 26, 2023

for and on behalf of **Board of Directors of Syngene International Limited**

**Kiran Mazumdar Shaw**

Chairperson

DIN: 00347229

**Sibaji Biswas**

Chief Financial Officer

Bengaluru

April 26, 2023

**Jonathan Hunt**

Managing Director and Chief Executive Officer

DIN: 07774619

**Priyadarshini Mahapatra**

Company Secretary

FCS Number: F8786

# Consolidated Statement of Profit and Loss

For the year ended March 31, 2023

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

	Note	Year ended March 31, 2023	Year ended March 31, 2022
<b>Income</b>			
Revenue from operations	18	31,929	26,042
Other income	19	709	528
<b>Total income</b>		<b>32,638</b>	<b>26,570</b>
<b>Expenses</b>			
Cost of chemicals, reagents and consumables consumed	20	9,022	7,706
Changes in inventories of finished goods and work-in-progress	21	(420)	(216)
Employee benefits expense	22	8,417	7,181
Finance costs	23	452	241
Depreciation and amortisation expense	24	3,665	3,097
Other expenses	25	5,148	3,958
Foreign exchange fluctuation loss/ (gain), net		418	(548)
<b>Total expenses</b>		<b>26,702</b>	<b>21,419</b>
<b>Profit before tax and exceptional items</b>		<b>5,936</b>	<b>5,151</b>
Exceptional items	36	-	(307)
<b>Profit before tax</b>		<b>5,936</b>	<b>4,844</b>
<b>Tax expense</b>	30		
Current tax		1,061	837
Deferred tax			
MAT credit entitlement		109	47
Other deferred tax		122	2
<b>Total tax expense</b>		<b>1,292</b>	<b>886</b>
<b>Profit for the year</b>		<b>4,644</b>	<b>3,958</b>
<b>Other comprehensive income</b>			
<b>(i) Items that will not be reclassified subsequently to profit or loss</b>			
Re-measurement on defined benefit plans and equity instruments		170	104
Income tax effect		(37)	(26)
<b>(ii) Items that will be reclassified subsequently to profit or loss</b>			
Effective portion of gains/(losses) on hedging instrument in cash flow hedges		(1,444)	515
Income tax effect		339	(160)
<b>Other comprehensive income for the year, net of taxes</b>		<b>(972)</b>	<b>433</b>
<b>Total comprehensive income for the year</b>		<b>3,672</b>	<b>4,391</b>

# Consolidated Statement of Profit and Loss

For the year ended March 31, 2023

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

	Note	Year ended March 31, 2023	Year ended March 31, 2022
<b>Profit attributable to:</b>			
Shareholders of the Company		4,644	3,958
Non-controlling interest		-	-
<b>Profit for the year</b>		<b>4,644</b>	<b>3,958</b>
<b>Other comprehensive income attributable to:</b>			
Shareholders of the Company		(972)	433
Non-controlling interest		-	-
<b>Other comprehensive income for the year</b>		<b>(972)</b>	<b>433</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		3,672	4,391
Non-controlling interest		-	-
<b>Total comprehensive income for the year</b>		<b>3,672</b>	<b>4,391</b>
<b>Earnings per equity share</b>	38		
Basic (in Rs)		11.59	9.94
Diluted (in Rs)		11.51	9.82

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

As per our report of even date attached

for **B S R & Co. LLP**

Chartered Accountants

Firm Registration No: 101248W/W-100022

**Sampad Guha Thakurta**

Partner

Membership number: 060573

Bengaluru

April 26, 2023

for and on behalf of **Board of Directors of Syngene International Limited**

**Kiran Mazumdar Shaw**

Chairperson

DIN: 00347229

**Sibaji Biswas**

Chief Financial Officer

Bengaluru

April 26, 2023

**Jonathan Hunt**

Managing Director and Chief Executive Officer

DIN: 07774619

**Priyadarshini Mahapatra**

Company Secretary

FCS Number: F8786

# Consolidated Statement of Changes in Equity

For the year ended March 31, 2023

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

## (A) Equity share capital

	31 March 2023	31 March 2022
Opening balance	4,008	4,000
Issue of shares during the year	6	8
<b>Closing balance</b>	<b>4,014</b>	<b>4,008</b>

## (B) Other equity [refer note 12(b)]

Particulars	Reserves and surplus			Items of other comprehensive income			
	Securities premium	Treasury shares	Retained earnings	Special Economic Zone (SEZ) reinvestment reserve	Share based payments	Cash flow hedging reserves	Other items of other comprehensive income
Balance as at 1 April 2021	1,445	(32)	21,825	-	770	317	(111)
Profit for the year	-	-	3,958	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	-	355	78
<b>Total comprehensive income for the year</b>	-	-	<b>3,958</b>	-	-	<b>355</b>	<b>78</b>
<b>Transactions recorded directly in equity</b>							
Exercise of share options	266	(8)	-	-	(266)	-	(8)
Share based payment	-	-	-	-	371	-	371
Transfer to SEZ reinvestment reserve	-	-	(1,500)	1,500	-	-	-
Transfer from SEZ reinvestment reserve	-	-	1,500	(1,500)	-	-	-
<b>Balance as at 31 March 2022</b>	<b>1,711</b>	<b>(40)</b>	<b>25,783</b>	-	<b>875</b>	<b>672</b>	<b>(33)</b>
Profit for the year	-	-	4,644	-	-	-	4,644
Other comprehensive income, net of tax	-	-	-	-	-	(1,105)	133
<b>Total comprehensive income for the year</b>	-	-	<b>4,644</b>	-	-	<b>(1,105)</b>	<b>133</b>
<b>Transactions recorded directly in equity</b>							
Exercise of share options	456	-	-	-	(456)	-	-
Purchase of treasury shares	-	(7)	-	-	-	-	(7)
Dividend including dividend distribution tax	-	-	(401)	-	-	-	(401)
Share based payment	-	-	-	-	235	-	235
Transfer to SEZ reinvestment reserve	-	-	(1,100)	1,100	-	-	-
Transfer from SEZ reinvestment reserve	-	-	1,100	(1,100)	-	-	-
Impact of common control business combination (refer note 41)	-	-	(301)	-	-	-	(301)
<b>Balance as at 31 March 2023</b>	<b>2,167</b>	<b>(47)</b>	<b>29,725</b>	-	<b>654</b>	<b>(433)</b>	<b>100</b>

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

As per our report of even date attached

for **B S R & Co. LLP**

Chartered Accountants  
Firm Registration No: 101248WW-100022

**Sampad Guha Thakurta**

Partner  
Membership number: 060573

Bengaluru  
April 26, 2023

for and on behalf of **Board of Directors of Syngene International Limited**

**Kiran Mazumdar Shaw**

Chairperson  
DIN: 00347229

**Sibaji Biswas**

Chief Financial Officer

**Jonathan Hunt**

Managing Director and Chief Executive Officer  
DIN: 07774619

**Priyadarshini Mahapatra**

Company Secretary  
FCS Number: F8786

# Consolidated Statement of Cash Flows

For the year ended March 31, 2023

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

	Year ended March 31, 2023	Year ended March 31, 2022
<b>I. Cash flows from operating activities</b>		
Profit for the year	4,644	3,958
<u>Adjustments to reconcile profit before tax to net cash flows</u>		
Depreciation and amortisation expense	3,665	3,097
Loss on assets scrapped	75	20
Exceptional items	-	307
Provision for doubtful receivables	(17)	46
Bad debts written off	10	-
Share based compensation expense	236	371
Interest expense	345	175
Unrealised foreign exchange loss	245	224
Net gain on sale of current investments	(106)	(63)
Proceeds from insurance company	-	105
Interest income	(604)	(465)
Tax expenses	1,292	886
<b>Operating profit before working capital changes</b>	<b>9,785</b>	<b>8,661</b>
<b>Movements in working capital</b>		
Decrease/ (increase) in inventories	(1,534)	(1,198)
Decrease/ (increase) in trade receivables	69	(362)
Decrease/ (increase) in other assets	(739)	(783)
Increase/ (decrease) in trade payables, other liabilities and provisions	2,022	546
<b>Cash generated from operations</b>	<b>9,603</b>	<b>6,864</b>
Income taxes paid (net of refunds)	(1,368)	(1,058)
<b>Net cash flow generated from operating activities</b>	<b>8,235</b>	<b>5,806</b>
<b>II. Cash flows from investing activities</b>		
Payment for acquisition of business, net of cash acquired	(182)	-
Purchase of property, plant and equipment	(5,066)	(4,753)
Purchase of other intangible assets	(117)	(2)
Investment in equity shares	(29)	(49)
Investment in bank deposits and inter corporate deposits	(11,332)	(22,460)
Redemption/ maturity of bank deposits and inter corporate deposits	8,759	21,571
Interest received	540	263
Proceeds from sale of current investments	17,169	21,460
Purchase of current investments	(16,306)	(22,145)
<b>Net cash flow used in investing activities</b>	<b>(6,564)</b>	<b>(6,115)</b>
<b>III. Cash flows from financing activities</b>		
Proceeds/ (repayments) from short term borrowings, net	(2,581)	(58)
Repayment of lease liabilities	(98)	(80)
Dividend paid	(401)	-
Interest paid	(345)	(175)
<b>Net cash flow generated from/ (used in) financing activities</b>	<b>(3,425)</b>	<b>(313)</b>

# Consolidated Statement of Cash Flows

For the year ended March 31, 2023

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

	Year ended March 31, 2023	Year ended March 31, 2022
<b>IV. Net increase/ (decrease) in cash and cash equivalents (I+II+III)</b>	<b>(1,754)</b>	<b>(622)</b>
V. Effect of exchange difference on cash and cash equivalents held in foreign currency	31	7
VI. Cash and cash equivalents at the beginning of the year	2,618	3,233
<b>VII. Cash and cash equivalents at the end of the year (IV+V+VI)</b>	<b>895</b>	<b>2,618</b>
<b>Components of cash and cash equivalents as at the end of the year</b>		
Balances with banks	895	2,318
Deposits with maturity of less than 3 months	-	300
<b>Total cash and cash equivalents [refer note 11(a)]</b>	<b>895</b>	<b>2,618</b>
Restricted cash balance [refer note 11 (ii)]	25	8

\* Less than Rs. 0.5 million.

## Change in liability arising from financing activities

	1 April 2022	Cash Flow	Foreign exchange (gain)/ loss	Year ended March 31, 2023
Borrowings (including current maturities)	7,896	(2,581)	438	5,753
	<b>7,896</b>	<b>(2,581)</b>	<b>438</b>	<b>5,753</b>

  

	1 April 2021	Cash Flow	Foreign exchange (gain)/ loss	Year ended March 31, 2022
Borrowings (including current maturities)	7,723	(58)	231	7,896
	<b>7,723</b>	<b>(58)</b>	<b>231</b>	<b>7,896</b>

Note:

a) Statement of Cash Flows has been prepared under the indirect method as set out in the Ind AS 7 "Statement of Cash Flows". The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached

for **B S R & Co. LLP**

Chartered Accountants

Firm Registration No: 101248W/W-100022

**Sampad Guha Thakurta**

Partner

Membership number: 060573

Bengaluru

April 26, 2023

for and on behalf of **Board of Directors of Syngene International Limited**

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Bengaluru

April 26, 2023

**Jonathan Hunt**

Managing Director and Chief Executive Officer

DIN: 07774619

**Priyadarshini Mahapatra**

Company Secretary

FCS Number: F8786



# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

## 1. Company Overview

### 1.1 Reporting entity

Syngene International Limited ("Syngene" or "the parent company" or "the Company"), together with its subsidiary (collectively, the "Group") is engaged in providing contract research and manufacturing services from lead generation to clinical supplies to pharmaceutical and biotechnology companies worldwide. Syngene's services include integrated drug discovery and development capabilities in medicinal chemistry, biology, in vivo pharmacology, toxicology, custom synthesis, process R&D, cGMP manufacturing, formulation and analytical development along with Clinical development services. The Company is a public limited company incorporated and domiciled in India and has its registered office in Bengaluru, Karnataka, India. The Company's shares are listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) in India.

### 1.2 Basis of preparation of financial statements

#### a) Statement of compliance

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

The Company had incorporated its wholly owned overseas subsidiary, Syngene USA Inc., USA ('the Subsidiary') during the year ended 31 March 2018 and operational from 1st November 2017. Further, the Company incorporated two new entities in the current financial year i.e. Syngene Scientific Solutions Limited and Syngene Manufacturing Solutions Limited, operational from 10th August 2022 and 26th August 2022, respectively. Both the entities are wholly owned subsidiaries of the Company.

These consolidated financial statements have been prepared for the Group as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date, 31 March 2023. These consolidated financial statements were authorised for issuance by the Company's Board of Directors on 26 April 2023.

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

#### b) Functional and presentation currency

These consolidated financial statements are presented in Indian rupees (INR), which is also the functional currency of the parent company. All amounts have been rounded-off to the nearest million, unless otherwise indicated. In respect of subsidiaries whose operations are self-contained and integrated, the functional currency has been determined to be the currency of the primary economic environment in which the entity operates. Accordingly, the financial statements of subsidiaries are presented in INR except that of Syngene USA Inc. which are prepared in United States Dollar (USD).

#### c) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis (i.e. on accrual basis), except for the following items:

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

#### d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions. These estimates, judgements and assumptions affect the application of

accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the consolidated financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the consolidated financial statements.

### Judgements

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

- Note 2(c) and 28 — Financial instruments;
- Note 2(d), 2(e) and 2(f) — Useful lives of property, plant and equipment, investment property and other intangible assets;
- Note 2(l) and 18 — Revenue Recognition: whether revenue from sale of compounds is recognised over time or at a point in time;
- Note 2(n), 30 and 31 — Provision for income taxes and related tax contingencies;
- Note 2(p) and 35 — Leases;
- Note 2(j) and 27 — measurement of defined benefit obligation; key actuarial assumptions; and
- Note 34 — Share based payments;

### 1.3 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2023 is included in the following notes:

- Note 2(i)(i) and 28 – impairment of financial assets;
- Note 2(i)(ii) – impairment of non-financial assets;
- Note 7 and 30 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 2(j) and 27 – measurement of defined benefit obligations: key actuarial assumptions; and
- Note 14 and 31 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

### 1.4 Measurement of fair values

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

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

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

The Group has an established control framework with respect to the measurement of fair values. This includes a finance team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the finance team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

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

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

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 2(c) and 28      – financial instruments;
- Note 3(b)              – investment property; and
- Note 34                – share based payments;

## 2 Significant accounting policies

### a. Basis of consolidation

#### i. Subsidiary

Subsidiary is entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The financial statements of the Group are consolidated on line-by-line basis. Intra-group transactions, balances and any unrealised gains arising from intra-group transactions, are eliminated. Unrealised losses are eliminated, but only to the extent that there is no evidence of impairment. All temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions are recognised as per Ind AS 12, Income Taxes.

For the purpose of preparing these consolidated financial statements, the accounting policies of subsidiaries have been kept consistent with the policies adopted by the Group.

#### Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### ii. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in statement of profit or loss.

### b. Foreign currency

#### i. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of companies at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

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 translated at the exchange rate at the date of the transaction. Exchange differences are recognised in statement of profit or loss, except exchange differences arising from the translation of the qualifying cash flow hedges to the extent that the hedges are effective which are recognised in OCI.

Under previous GAAP exchange differences arising on restatement of long-term foreign currency monetary items related to acquisition of depreciable assets was added to/ deducted from the cost of the depreciable assets. In accordance with Ind AS 101 First time adoption of Indian Accounting Standards the Group continues the above accounting treatment in respect of the long-term foreign currency monetary items recognised in the financial statements as on 31 March 2016.

## **ii. Foreign operations**

The assets and liabilities of foreign operations (subsidiary) including goodwill and fair value adjustments arising on acquisition, are translated into INR, the functional currency of the Group, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into INR at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Foreign currency translation differences are recognised in OCI and accumulated in equity (as exchange differences on translating the financial statements of a foreign operation), except to the extent that the exchange differences are allocated to NCI.

## **c. Financial instruments**

### **i. Recognition and initial measurement**

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

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

### **ii. Classification and subsequent measurement**

#### *Financial assets*

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

- amortised cost;
- FVOCI – equity investment; or
- FVTPL

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

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

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

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

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

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

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

### Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable. If the Group decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the Statement of Profit and Loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss to retained earnings. Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

*Financial assets: Subsequent measurement and gains and losses*

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit and loss. However, see Note 28 for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to statement of profit and loss.

*Financial liabilities: Classification, subsequent measurement and gains and losses*

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

### iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of

the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

#### *Financial liabilities*

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

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

#### **iv. Offsetting**

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

#### **v. Derivative financial instruments and hedge accounting**

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

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

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

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

#### **Cash flow hedges**

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

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

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

#### **vi. Treasury shares**

The Company has created an Employee Welfare Trust (EWT) for providing share-based payment to its employees. Own equity instruments that are acquired (treasury shares) are recognised at cost and deducted from equity. When the treasury shares are issued to the employees by EWT, the amount received is recognised as an increase in equity and the resultant gain / (loss) is transferred to / from securities premium.

#### **vii. Cash and cash equivalents**

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

#### **Cash dividend to equity holders**

The Group recognises a liability to make cash to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

### **d. Property, plant and equipment**

#### **i. Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of a self-constructed item of property, plant and equipment comprises its purchase price including import duty and non-refundable taxes or levies, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Expenditure incurred on startup and commissioning of the project and/or substantial expansion, including the expenditure incurred on trial runs (net of trial run receipts, if any) up to the date of commencement of commercial production are capitalised.

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

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

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

Advances paid towards acquisition of property, plant and equipment outstanding at each Balance Sheet date, are shown under other non-current assets and cost of assets not ready for intended use before the year end, are shown as capital work-in-progress.

#### **ii. Depreciation**

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method. Freehold land and land under perpetual lease are not depreciated.

The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

	Asset classification	Management estimate of useful life	Useful life as per Schedule II
Asset			
Building	Building	25-30 years	30 years
Plant and equipment (including electrical installation and laboratory equipment)	Plant and equipment	9-14 years	8-20 years
Computers and servers	Plant and equipment	3 years	3-6 years
Office equipment	Office equipment	3 years	5 years
Furniture and fixtures	Furniture and fixtures	6 years	10 years
Vehicles	Vehicles	6 years	6-10 years
Leasehold improvements	Building or Plant and equipment	Useful life or lease period whichever is lower	

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Based on technical evaluation and consequent advice, the management believes that its estimates of useful lives as given above best represent the period over which management expects to use these assets.

Depreciation on additions/(disposals) is provided on a pro-rata basis i.e. from/(upto) the date on which asset is ready for use/(disposed of).

### iii. Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property at its carrying amount on the date of reclassification.

### e. Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Upon initial recognition, an investment property is measured at cost. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Based on technical evaluation and consequent advice, the management believes a period of 3 to 25 years as representing the best estimate of the period over which investment property (which are quite similar) are expected to be used. Accordingly, the Group depreciates investment property over a period of 3 to 25 years on a straight-line basis. The estimated useful life of assets in investment property are different from the indicative useful lives of relevant type of asset mentioned in Part C of Schedule II to the act as follows:

Asset	Management estimate of useful life	Useful life as per Schedule II
Building	25 years	30 years
Plant and equipment (including electrical installation and laboratory equipment)	9-11 years	8-20 years
Computers	3 years	3-6 years
Office equipment	3 years	5 years
Furniture and fixtures	6 years	10 years

Any gain or loss on disposal of an investment property is recognised in statement of profit and loss.



**f. Other intangible assets**

*Internally generated: Research and Development:*

Expenditure on research activities is recognised in statement of profit and loss as incurred.

Development expenditure is capitalised as part of the cost of the resulting intangible asset only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in statement of profit and loss as incurred. Subsequent to initial recognition, the asset is measured at cost less accumulated amortisation and any accumulated impairment losses.

*Others*

Other intangible assets are initially measured at cost. Subsequently, such intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

**i. Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on brands, is recognised in statement of profit and loss as incurred.

**ii. Amortisation**

Intangible assets are amortised on a straight line basis over the estimated useful life as follows:

— Computer software	5 years
— Intellectual property right	5-10 years

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

**g. Business combination**

In accordance with Ind AS 103, Business combinations, the Group accounts for business combinations after acquisition date using the acquisition method when control is transferred to the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The cost of acquisition also includes the fair value of any contingent consideration and deferred consideration, if any. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in OCI and accumulated in equity as capital reserve if there exists clear evidence of the underlying reasons for classifying the business combination as resulting in a bargain purchase; otherwise the gain is recognised directly in equity as capital reserve. Transaction costs are expensed as incurred.

**h. Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of fixed production overheads based on normal operating capacity. Provisions are made towards slow-moving and obsolete items based on historical experience of utilisation.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products.

Chemicals, reagents and consumables held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value.

The comparison of cost and net realisable value is made on an item-by-item basis.

**i. Impairment****i. 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 financial assets measured at amortised cost.

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

Loss allowance for financial assets measured at amortised cost are deducted from gross carrying amount of the assets. The amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date is recognised as an impairment gain or loss in the Statement of Profit and Loss.

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

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

The recoverable amount of a CGU (or an individual asset) is higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flow, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to CGU (or the asset).

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

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

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

**j. Employee benefits****i. Short-term employee benefits**

All employee benefits falling due within twelve months from the end of the period in which the employees render the related services are classified as short-term employee benefits, which include benefits like salaries, wages, short term compensated absences, performance incentives, etc. and are recognised as expenses in the period in which the employee renders the related service and measured accordingly."

**ii. Post-employment benefits:**

Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:

*Gratuity*

The Group provides for gratuity, a defined benefit plan ("the Gratuity Plan") covering the eligible employees of the Company. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death,

incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of the employment with the Company.

Liability with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method. The defined benefit plan is administered by a trust formed for this purpose through the Company gratuity scheme.

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

#### *Provident Fund*

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

### **iii. Compensated absences**

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

The liability in respect of all defined benefit plans and other long term benefits is accrued in the books of account on the basis of actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations.

Remeasurement gains and losses on other long term benefits are recognised in the Statement of Profit and Loss in the year in which they arise. Remeasurement gains and losses in respect of all defined benefit plans arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in other equity in the Statement of Changes in Equity and in the Balance Sheet. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs. Any differential between the plan assets (for a funded defined benefit plan) and the defined benefit obligation as per actuarial valuation is recognised as a liability if it is a deficit or as an asset if it is a surplus (to the extent of the lower of present value of any economic benefits available in the form of refunds from the plan or reduction in future contribution to the plan).

Past service cost is recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the past service cost is recognised immediately in the Statement of Profit and Loss. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

**iv. Share-based compensation**

The grant date fair value of equity settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date. The grant date fair value of options granted (net of estimated forfeiture) to employees of the Group is recognised as an employee expense.

The Group has adopted the policy to account for Employees Welfare Trust as a legal entity separate from the Company but as a subsidiary of the Company. Any loan from the Company to the trust is accounted for as a loan in accordance with its term.

The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognised in connection with share based payment transaction is presented as a separate component in equity under "share based payment reserve". The amount recognised as an expense is adjusted to reflect the actual number of stock options that vest. For the option awards, grant date fair value is determined under the option-pricing model (Black-Scholes-Merton). Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures materially differ from those estimates.

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

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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

*Onerous contracts*

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

**l. Revenue recognition:****i. Contract research and manufacturing services income**

The Group derives revenues primarily from Contract research and manufacturing services income. Revenue is recognised upon transfer of control of promised services or compounds to customers in an amount that reflects the consideration we expect to receive in exchange for those services or compounds.

Arrangement with customers for Contract research and manufacturing services income are either on a time-and-material basis, fixed price or on a sale of compounds.

In respect of contracts involving research services, in case of 'time and materials' contracts, contract research fee are recognised as services are rendered, in accordance with the terms of the contracts.

Revenues relating to fixed price contracts are recognised based on the percentage of completion method determined based on efforts expended as a proportion to total estimated efforts. The Group monitors estimates of total contract revenue and cost on a routine basis throughout the contract period. The cumulative impact of any change in estimates of the contract revenue or costs is reflected in the period in which the changes become known. In the event that a loss is anticipated on a particular contract, provision is made for the estimated loss.

In respect of contracts involving sale of compounds arising out of contract research, revenue is recognised when a promise in a customer contract (performance obligation) has been satisfied by transferring control over the promised goods to the customer. Control over a promised good refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, those goods. Control is usually transferred upon shipment to the customer/ customer's acceptance. The amount of revenue to be recognised (transaction price) is based on the consideration expected to be received in exchange for goods, excluding amounts collected on behalf of third parties such as sales tax or other taxes directly linked to sales. If a contract contains more than one performance obligation, the transaction price is allocated to each performance obligation based on their relative stand-alone selling prices. Revenue from product sales are recorded net of allowances for estimated rebates, cash discounts and estimates of product returns, all of which are established at the time of sale.

The consideration received by the Group in exchange for its goods may be fixed or variable. Variable consideration is only recognised when it is considered highly probable that a significant revenue reversal will not occur once the underlying uncertainty related to variable consideration is subsequently resolved.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms.

The Group collects Goods and service tax, (GST) as applicable, on behalf of the Government and, therefore, it is not an economic benefit flowing to the Group. Hence, it is excluded from revenue.

#### **ii. Rental income**

Rental income from investment property is recognised in statement of profit and loss on a straight-line basis over the term of the lease except where the rentals are structured to increase in line with expected general inflation. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### **iii. Contribution received from customers towards property, plant and equipment**

Contributions received from customers towards items of property, plant and equipment which require an obligation to supply services to the customer in the future, are recognised as a credit to deferred revenue. The contribution received is recognised as revenue from operations over the useful life of the assets. The Group capitalises the gross cost of these assets as the Group controls these assets.

#### **iv. Dividends**

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

#### **v. Interest Income**

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

#### **m. Government grants**

The Group recognises Government grants only at their fair value when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in relation to assets are recognised as deferred income and amortised over the useful life of such asset. Grants related to income are recognised in statement of profit and loss as other operating revenues or deducted in reporting the related expense based on the terms of the grant, as applicable.

**n. Foreign currency Transactions and translations:**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at balance sheet date exchange rates are generally recognised in Statement of Profit and Loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income (OCI).

**o. Income taxes**

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

Tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realize the asset and settle the liability on a net basis or simultaneously.

Minimum Alternative Tax ('MAT') under the provisions of the Income-tax Act, 1961 is recognised as current tax in the Statement of Profit and Loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

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

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of transaction;
- temporary differences related to investments in subsidiary, associate and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

Deferred tax assets (DTA) include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability.

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

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

**p. Borrowing cost**

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

Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

**q. Leases****(i) The Group as lessee:**

The Group assesses whether a contract contains a lease, at the inception of 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 use of an identified asset, the Group assesses whether:

- The contract involves use of an identified asset
- The Group has substantially all the economic benefits from the use of the asset through the period of lease
- The Group has the right to direct the use of an asset.

At the date to commencement of lease, the Group recognises a Right-of-use assets ("ROU") and a corresponding liability for all lease arrangements in which it is a lessee, except for leases with the term of twelve months or less (short term leases) and low value leases. For short term and low value lease, the Group recognises the lease payment as an operating expense on straight line basis over the term of lease.

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

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., higher of fair value less cost to sell and the value-in-use) is determined on 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 amortised cost at the present value of the future lease payments. The lease payments are discounted using the interest rate explicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right-of-use assets if the Group changes its assessment if whether it will exercise an extension or a termination of option.

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

**(ii) The Group as a Lessor:**

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

**r. Earnings per share**

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

**s. Exceptional items**

Exceptional items refer to items of income or expense within the statement of profit and loss from ordinary activities which are non-recurring and are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance of the Group.

**t. Recent accounting pronouncements**

The Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time.

On 31 March 2023, MCA notified the Companies (Indian Accounting Standards) Amendment Rules, 2023, applicable from 01 April 2023, as below: The Rules predominantly amend Ind AS 12, Income taxes, and Ind AS 1, Presentation of financial statements. The other amendments to Ind AS notified by these rules are primarily in the nature of clarifications.

- Ind AS 1 – Presentation of Financial Statements: The amendments require companies to disclose the material accounting policies rather than significant accounting policies. Accounting policy information, together with other information, is material when it can reasonably be expected to influence decisions of primary users of general-purpose financial statements.
- Ind AS 12 – Income Taxes: The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of Ind AS12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.
- Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: The amendments will help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

These amendments are not expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.



# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 3 (a) Property, plant and equipment and Capital work-in-progress

	Land [refer note (a)]	Buildings [refer note (c)]	Plant and equipment [refer note (b)]	Office equipment	Furniture and fixtures	Vehicles	Total	Capital work- in-progress
<b>Gross carrying amount</b>								
At 1 April 2021	703	6,141	24,541	181	606	38	32,210	2,372
Additions	-	384	3,268	11	120	1	3,784	4,876
Disposals / other adjustments	-	(5)	(178)	-	(2)	-	(185)	(3,784)
<b>At 31 March 2022</b>	<b>703</b>	<b>6,520</b>	<b>27,631</b>	<b>192</b>	<b>724</b>	<b>39</b>	<b>35,809</b>	<b>3,464</b>
Additions	-	368	5,413	2	227	2	6,012	4,317
Disposals / other adjustments	-	(101)	(179)	(1)	-	(14)	(295)	(6,012)
<b>At 31 March 2023</b>	<b>703</b>	<b>6,787</b>	<b>32,865</b>	<b>193</b>	<b>951</b>	<b>27</b>	<b>41,526</b>	<b>1,769</b>
<b>Accumulated depreciation</b>								
At 1 April 2021	-	1,063	10,348	140	318	19	11,888	-
Depreciation for the year	-	256	2,490	27	88	3	2,865	-
Disposals	-	(5)	(166)	-	(2)	-	(173)	-
<b>At 31 March 2022</b>	<b>-</b>	<b>1,314</b>	<b>12,673</b>	<b>167</b>	<b>404</b>	<b>22</b>	<b>14,580</b>	<b>-</b>
Depreciation for the year	-	264	2,956	17	111	4	3,353	-
Disposals	-	(72)	(156)	(1)	-	(13)	(242)	-
<b>At 31 March 2023</b>	<b>-</b>	<b>1,506</b>	<b>15,473</b>	<b>183</b>	<b>515</b>	<b>13</b>	<b>17,692</b>	<b>-</b>
<b>Net carrying amount</b>								
<b>At 31 March 2022</b>	<b>703</b>	<b>5,206</b>	<b>14,958</b>	<b>25</b>	<b>320</b>	<b>17</b>	<b>21,229</b>	<b>3,464</b>
<b>At 31 March 2023</b>	<b>703</b>	<b>5,281</b>	<b>17,391</b>	<b>10</b>	<b>436</b>	<b>13</b>	<b>23,834</b>	<b>1,769</b>

## Notes:

(a) Land includes land held on lease under perpetual basis: Gross carrying amount - Rs. 661 (31 March 2022 - Rs. 661).

(b) Plant and equipment includes computers.

(c) Buildings with a gross carrying amount of Rs. 4,187 as at 31 March 2023 (as at 31 March 2022 - Rs. 4,035) have been constructed on leasehold land obtained by the Company on lease basis from Biocon Limited, the holding Company.

(d) Additions to property, plant and equipment includes additions related to borrowing cost amounting to Rs. 72 (31 March 2022 - Rs. 67).

(e) Refer note 13(i) and 13(ii) for secured borrowings obtained for Property, plant and equipment.

(f) Refer note 31 (ii) for disclosure of contractual commitments for the acquisition of property, plant and equipment and capital work-in-progress.

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 3 (a) Capital work-in-progress aging schedule:

31 March 2023	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Projects in progress	1,473	235	34	27	1,769
	<b>1,473</b>	<b>235</b>	<b>34</b>	<b>27</b>	<b>1,769</b>
31 March 2022	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Projects in progress	3,092	265	70	37	3,464
	<b>3,092</b>	<b>265</b>	<b>70</b>	<b>37</b>	<b>3,464</b>

(i) There are no capital work-in-progress whose completion has exceeded its cost compared to its original plan as on 31 March 2023 and as on 31 March 2022.

(ii) Capital work-in-progress whose completion is overdue to its original plan:

31 March 2023	Less than 1 year	1-2 years	2-3 years	More than 3 years	Expected Capitalisation date
Project 3	73	-	-	-	30 September 2023
Project 4	297	-	-	-	30 June 2023
Project 5	21	-	-	-	31 October 2023
31 March 2022	Less than 1 year	1-2 years	2-3 years	More than 3 years	Expected Capitalisation date
Project 1	231	-	3	-	30 June 2022
Project 2	1,030	-	-	-	30 September 2022

## 3 (b) Right-of-use assets

	Land	Buildings	Vehicles	Total
<b>Gross carrying amount</b>				
At 1 April 2021	65	1,217	56	1,338
Additions	302	953	22	1,277
Deletions	-	(74)	(23)	(97)
<b>At 31 March 2022</b>	<b>367</b>	<b>2,096</b>	<b>55</b>	<b>2,518</b>
Additions	-	155	37	193
Deletions	-	(10)	(27)	(37)
<b>At 31 March 2023</b>	<b>367</b>	<b>2,241</b>	<b>65</b>	<b>2,674</b>
<b>Accumulated depreciation</b>				
At 1 April 2021	41	165	11	217
Depreciation for the year	18	92	10	120
Deletions	-	-	(7)	(7)
<b>At 31 March 2022</b>	<b>59</b>	<b>257</b>	<b>14</b>	<b>330</b>
Depreciation for the year	39	132	16	186
Deletions	-	-	(11)	(11)
<b>At 31 March 2023</b>	<b>98</b>	<b>389</b>	<b>19</b>	<b>505</b>
<b>Net carrying amount</b>				
<b>At 31 March 2022</b>	<b>308</b>	<b>1,839</b>	<b>41</b>	<b>2,188</b>
<b>At 31 March 2023</b>	<b>269</b>	<b>1,854</b>	<b>46</b>	<b>2,169</b>

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 3 (c) Investment property

	Buildings [refer note (b)]	Furniture and fixtures	Office equipments	Plant and equipment	Total
<b>Gross carrying amount</b>					
At 1 April 2021	84	3	1	468	556
Additions	27	13	3	11	54
<b>At 31 March 2022</b>	<b>111</b>	<b>16</b>	<b>4</b>	<b>479</b>	<b>610</b>
Additions	35	42	0	87	164
<b>At 31 March 2023</b>	<b>146</b>	<b>58</b>	<b>4</b>	<b>566</b>	<b>774</b>
<b>Accumulated depreciation</b>					
At 1 April 2021	6	3	1	170	180
Depreciation for the year	3	1	1	40	45
<b>At 31 March 2022</b>	<b>9</b>	<b>4</b>	<b>2</b>	<b>210</b>	<b>225</b>
Depreciation for the year	6	9	1	53	68
<b>At 31 March 2023</b>	<b>15</b>	<b>13</b>	<b>3</b>	<b>263</b>	<b>293</b>
<b>Net carrying amount</b>					
<b>At 31 March 2022</b>	<b>102</b>	<b>12</b>	<b>2</b>	<b>269</b>	<b>385</b>
<b>At 31 March 2023</b>	<b>131</b>	<b>45</b>	<b>1</b>	<b>303</b>	<b>481</b>

### Note:

- (a) During the year, the Company has recognised rental income of Rs. 403 (31 March 2022 : Rs. 344) in the statement of profit and loss for investment property. The fair value of investment property as at 31 March 2023 is Rs. 481 (31 March 2022 : Rs. 385).
- (b) Investment property with a gross carrying amount of Rs. 146 (31 March 2022 : Rs. 111) have been constructed on leasehold land obtained by the Company on lease basis from Biocon Limited.
- (c) Refer note 31 (ii) for disclosure of contractual commitments for the acquisition of investment property.

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 4. Other intangible assets

	Computer software	Intellectual property rights	Total
<b>Gross carrying amount</b>			
At 1 April 2021	376	120	496
Additions	2	-	2
Disposals	-	-	-
<b>At 31 March 2022</b>	<b>378</b>	<b>120</b>	<b>498</b>
Additions	117	-	117
Disposals	-	-	-
<b>At 31 March 2023</b>	<b>495</b>	<b>120</b>	<b>615</b>
<b>Accumulated amortisation</b>			
At 1 April 2021	195	110	305
Amortisation for the year	57	10	67
Disposals	-	-	-
<b>At 31 March 2022</b>	<b>252</b>	<b>120</b>	<b>372</b>
Amortisation for the year	58	-	58
Disposals	-	-	-
<b>At 31 March 2023</b>	<b>310</b>	<b>120</b>	<b>430</b>
<b>Net carrying amount</b>			
<b>At 31 March 2022</b>	<b>126</b>	<b>-</b>	<b>126</b>
<b>At 31 March 2023</b>	<b>185</b>	<b>-</b>	<b>185</b>

(a) Refer note 31 (ii) for disclosure of contractual commitments for the acquisition of intangible assets.

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 5. Investments

### (a) Non-current investments

	31 March 2023	31 March 2022
<b>Unquoted equity instruments carried at fair value through other comprehensive income:</b>		
2,020 (31 March 2022: 2,020) Equity shares of Rs. 10 each in Immuneel Therapeutics Private Limited [refer note(i) below]	323	214
4,922,663 (31 March 2022: 4,922,663) Equity shares of Rs. 10 each in HR Kaveri Private Limited	49	49
<b>Unquoted - In Others</b>		
<b>Investments carried at fair value through profit or loss</b>		
123,203 (31 March 2022: 123,203) Equity shares of Rs. 100 each in Four EF Renewables Private Limited	12	12
246,406 (31 March 2022: 246,406) Compulsory convertible preference shares of Rs. 100 each in Four EF Renewables Private Limited [refer note(ii) below]	25	25
8,58,000 (31 March 2022: Nil) Equity shares of Rs. 10 each in O2 Renewable Energy II Private Limited	9	-
0.01% 20,020 (31 March 2022: Nil) Compulsory convertible debentures of Rs. 1,000 each in O2 Renewable Energy II Private Limited [refer note(iii) below]	20	-
150 (31 March 2022: Nil) Equity shares of Rs. 10 each in Ampyr Renewable Energy Resources Eleven Private Limited	- *	-
<b>Investments carried at amortized cost:</b>		
Inter corporate deposits with financial institutions * #	503	2,403
	<b>941</b>	<b>2,703</b>
Aggregate value of unquoted investments	941	2,703

Note:

- (i) In the year ending 31 March 2021, the Company invested Rs. 100 million in Immuneel Therapeutics Private Limited. In the year ending 31 March 2022, additional funding from external investors were received resulting in a dilution of the Company's equity interest. The gain on fair valuation from Rs. 100 million to Rs. 214 million is recognised in other comprehensive income. During the year ended 31 March 2023, the Company based on a fair valuation recorded a fair value increase in its investment carrying value by Rs. 109 million.
- (ii) Terms of conversion: 1 compulsory convertible preference share of face value Rs. 100/- each will convert to 1 equity share of face value Rs. 100/- at end of the tenure of 20 years from allotment.
- (iii) Terms of conversion: 1 compulsory convertible debentures of face value Rs. 1000/- each will convert to 1 equity share of face value Rs. 100/- at end of the tenure of 20 years from allotment.
- # Inter corporate deposits with financial institutions yield fixed interest rate.
- \* Less than Rs. 0.5 million.

### (b) Current investments

<b>Quoted - Investment in mutual funds at fair value through profit or Loss</b>	1,476	2,232
<b>Unquoted - In others - at amortised cost</b>		
Inter corporate deposits with financial institutions *	6,768	5,406
	<b>8,244</b>	<b>7,638</b>
* Inter corporate deposits with financial institutions yield fixed interest rate.		
Aggregate book and market value of quoted investments	1,476	2,232
Aggregate value of unquoted investments	6,768	5,406

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 6. Other financial assets

	31 March 2023	31 March 2022
<b>(a) Non-current</b>		
Security deposits	261	203
Bank deposits with maturity of more than 12 months	1,250	-
	<b>1,511</b>	<b>203</b>
<b>(b) Current</b>		
Other receivables (refer note 26)	160	55
Interest accrued but not due	392	329
	<b>552</b>	<b>384</b>

## 7. Deferred tax assets (net) (refer note 30(b))

	31 March 2023	31 March 2022
<b>Deferred tax assets</b>		
MAT credit entitlement	1,618	1,727
Employee benefit obligations	170	152
Derivatives, net	154	-
Others	-	28
	<b>1,941</b>	<b>1,907</b>
<b>Deferred tax liabilities</b>		
Property, plant and equipment, investment property and other intangible assets, net	1,221	1,067
Derivatives, net	-	164
Others	24	20
	<b>1,245</b>	<b>1,251</b>
<b>Deferred tax assets (net)</b>	<b>696</b>	<b>656</b>

## 8. Other assets

(Unsecured considered good, unless otherwise stated)

	31 March 2023	31 March 2022
<b>(a) Non-current</b>		
Capital advances	154	103
Balances with statutory / government authorities	15	15
Prepayments	80	67
	<b>249</b>	<b>185</b>
<b>(b) Current</b>		
Advances other than capital advances	296	324
Export incentive receivables [refer note 36]	-	62
Balances with statutory / government authorities	451	477
Prepayments	312	282
	<b>1,059</b>	<b>1,145</b>

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 9. Inventories

	31 March 2023	31 March 2022
Chemicals, reagents and consumables *	2,390	1,276
Work-in-progress	733	397
Finished goods	205	121
	<b>3,328</b>	<b>1,794</b>

\* includes goods in-transit Rs. Nil (31 March 2022 - Rs. 10)

## 10. Trade receivables

	31 March 2023	31 March 2022
<b>Unsecured *</b>		
Considered good	5,294	5,077
Credit impaired	83	100
	<b>5,376</b>	<b>5,177</b>
Allowance for credit losses	(83)	(100)
	<b>5,293</b>	<b>5,077</b>

\* Includes receivables from related parties [refer note 26]

### (a) Aging schedule

31 March 2023	Outstanding for following periods from due date of payment					
	Unbilled	Not due	Less than 6 months	6 months – 1 year	1-2 years	Total
Undisputed trade receivables - considered good	988	3,232	948	112	13	5,293
Undisputed trade receivables - credit impaired	-	-	33	37	13	83
	<b>988</b>	<b>3,232</b>	<b>981</b>	<b>149</b>	<b>26</b>	<b>5,376</b>

31 March 2022	Outstanding for following periods from due date of payment					
	Unbilled	Not due	Less than 6 months	6 months – 1 year	1-2 years	Total
Undisputed trade receivables - considered good	556	3,359	818	173	171	5,077
Undisputed trade receivables - credit impaired	-	-	-	-	100	100
	<b>556</b>	<b>3,359</b>	<b>818</b>	<b>173</b>	<b>271</b>	<b>5,177</b>

(b) All trade receivables are current and undisputed.

(c) Trade receivables outstanding for period above 2 years from due date of payment is Rs. Nil (31 March 2022: Rs. Nil) for the year ended 31 March 2023.

(d) The Company's exposure to credit and currency risks and loss allowances are disclosed in note 28.

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 11. Cash and bank balances

	31 March 2023	31 March 2022
<b>(a) Cash and cash equivalents</b>		
Cash on hand	- *	- *
Balances with banks (on current accounts)	895	2,318
Deposits with original maturity of less than 3 months	-	300
	<b>895</b>	<b>2,618</b>
<b>(b) Bank balances other than above</b>		
Deposits with maturity of less than 12 months	4,422	2,561
<b>Total cash and bank balances</b>	<b>5,317</b>	<b>5,179</b>

\* Less than Rs. 0.5 million.

- (i) The Company has balances with banks (on unpaid dividend account) which are not disclosed above since amounts are rounded off to Rupees million.
- (ii) Cash and cash equivalents includes restricted cash and bank balances of Rs. 25 (31 March 2022: Rs. 8). The restrictions are primarily on account of bank balances held under Employee Welfare Trust.

## 12 (a). Equity share capital

	31 March 2023	31 March 2022
<b>Authorised</b>		
500,000,000 (31 March 2022: 500,000,000) equity shares of Rs 10 each (31 March 2022: Rs 10 each)	5,000	5,000
<b>Issued, subscribed and fully paid-up</b>		
401,434,500 (31 March 2022: 400,796,500) equity shares of Rs 10 each (31 March 2022: Rs 10 each)	4,014	4,008
	<b>4,014</b>	<b>4,008</b>

### (i) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Equity shares	31 March 2023		31 March 2022	
	No.	Rs	No.	Rs
At the beginning of the year	400,796,500	4,008	400,000,000	4,000
Issue of shares [refer note 40]	638,000	6	796,500	8
<b>At the end of the year</b>	<b>401,434,500</b>	<b>4,014</b>	<b>400,796,500</b>	<b>4,008</b>

### (ii) Terms / rights attached to equity shares

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

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



# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## (iii) Details of shares held by holding company and their subsidiaries

	31 March 2023		31 March 2022	
	No.	% holding	No.	% holding
Equity shares of Rs. 10 each fully paid				
Biocon Limited (holding company) [refer note (vi) below]	219,185,608	54.60%	280,974,772	70.10%

## (iv) Details of shareholders holding more than 5% shares in the Company

	31 March 2023		31 March 2022	
	No.	% holding	No.	% holding
Equity shares of Rs 10 each fully paid				
Biocon Limited [refer note (vi) below]	219,185,608	54.60%	280,974,772	70.10%

## (v) Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020	Year ended 31 March 2019
Equity shares allotted as fully paid bonus shares by capitalization of general reserve and surplus in statement of profit and loss [refer note (vi) below]	-	-	-	200,000,000	-

## (vi) Issue of bonus shares

The shareholders approved through postal ballot on 13 July 2019, the issue of fully paid up bonus shares of face value of Rs. 10/- each in the ratio of 1:1 by capitalisation of general reserves and surplus in statement of profit and loss.

## (vii) Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, refer note 34.

## (viii) Shares held by promoters

Promoter Name	At 1 April 2022	Change during the year	At 31 March 2023	% of Total Shares	% change during the year
Kiran Mazumdar Shaw	15,276	6,688	21,964	0.01%	0.00%
Yamini R Mazumdar	20,060	(20,060)	-	0.00%	0.00%
Ravi R Mazumdar	2,120	6,686	8,806	0.00%	0.00%
Dev Mazumdar	7,000	6,686	13,686	0.00%	0.00%
Biocon Limited	280,974,772	(61,789,164)	219,185,608	54.60%	(15.39)%
Biocon Employee Welfare Trust	1,178,733	(87,286)	1,091,447	0.27%	(0.02)%
	<b>282,197,961</b>	<b>(61,876,450)</b>	<b>220,321,511</b>	<b>54.88%</b>	<b>(15.41)%</b>

Promoter Name	At 1 April 2021	Change during the year	At 31 March 2022	% of Total Shares	% change during the year
Kiran Mazumdar Shaw	15,276	-	15,276	0.00%	-
Yamini R Mazumdar	20,060	-	20,060	0.01%	-
Ravi R Mazumdar	2,120	-	2,120	0.00%	-
Dev Mazumdar	7,000	-	7,000	0.00%	-
Biocon Limited	280,974,772	-	280,974,772	70.10%	-
Biocon Employee Welfare Trust	1,301,373	(122,640)	1,178,733	0.29%	(0.03)%
	<b>282,320,601</b>	<b>(122,640)</b>	<b>282,197,961</b>	<b>70.40%</b>	<b>(0.03)%</b>

The Company has only one class of equity shares having a par value of Rs. 10 per share.

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 12 (b). Other equity

### Securities premium

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

### Retained earnings

The amount represents surplus in statement of profit and loss not transferred to any reserve and can be distributed by the Company as dividends to its equity shareholders. The amount also includes retained earnings of Syngene Employee Welfare Trust.

### Treasury shares

The amount represents cost of own equity instruments that are acquired (treasury shares) by the ESOP trust and is disclosed as a deduction from other equity.

### Special Economic Zone (SEZ) reinvestment reserve

The SEZ Re-Investment reserve has been created out of profit of eligible SEZ units in terms of the provisions of Section 10AA(1)(ii) of the Income-Tax Act, 1961. The reserve has been utilised for acquiring new plant and machinery for the purpose of its business in terms of section 10AA(2) of the Income-Tax Act, 1961.

### Share based payment reserve

The Company has established share based payment plan for certain categories of employees of the Company. Also refer note 34 for further details on these plans.

### Cash flow hedging reserves

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

### Other Items of other comprehensive income

Other Items of other comprehensive income represents re-measurements of the defined benefits plan.

## 13. Borrowings

	31 March 2023	31 March 2022
<b>(a) Non-current borrowings</b>		
Term loans from banks:		
External commercial borrowings(secured) [refer note (i) below]	3,493	3,796
Foreign currency term loan (secured) [refer note (ii) below]	1,397	1,519
	<b>4,890</b>	<b>5,315</b>
<b>(b) Current borrowings</b>		
Term loans from banks:		
External commercial borrowings(secured) [refer note (i) below]	616	-
Foreign currency term loan (secured) [refer note (ii) below]	247	-
Pre shipment credit(unsecured) [refer note (iii) below]	-	2,581
	<b>863</b>	<b>2,581</b>
<b>The above amount includes</b>		
Secured borrowings	5,753	5,315
Unsecured borrowings	-	2,581
	<b>5,753</b>	<b>7,896</b>

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## Notes:

- (i) The Company had entered into external commercial borrowing agreement dated 21 September 2020 to borrow USD 50 million (Rs. 4,109) term loan facility. The facility is borrowed to incur capital expenditure at Bengaluru, Hyderabad and Mangaluru premises of the Company and was used for this specific purpose. The facility carries an interest rate of Libor + 1.30% and are to be paid in three instalments of USD 7.5 million in September 2023, USD 12.5 million in September 2024 and USD 30 million in September 2025. The facility is secured by first priority pari passu charge on fixed assets (movable plant and machinery) and second charge on current assets of the Company. The Company is compliant with the financial covenants stipulated under the agreement.
- (ii) The Company had entered into foreign currency term loan agreement dated 30 March 2021 to borrow USD 20 million (Rs. 1,644) term loan facility. The facility is borrowed to incur capital expenditure at Bengaluru, Hyderabad and Mangaluru premises of the Company and was used for this specific purpose. The facility carries an interest rate of Libor + 0.87% and are to be paid in three instalments of 15%, 25% and 60% from end of 3 years, 4 years and 5 years respectively from the date of origination. The facility is secured by first priority pari passu charge on fixed assets (movable plant and machinery) and second charge on current assets of the Company. The Company is compliant with the financial covenants stipulated under the agreement.
- (iii) The Company had obtained foreign currency denominated short term unsecured pre-shipment credit loans of Rs. 2,862 (USD 35 million) and the balance as on 31 March 2023 is Nil [31 March 2022 : Rs. 2,581 (USD 34 million)] that carries interest rate of SOFR + 40 to 60 Bps (31 March 2022: SOFR + 0.20% to +0.30%). Loan has been entirely paid during the year.
- (iv) Information about the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 28.

## 14. Provisions

	31 March 2023	31 March 2022
<b>(a) Non-current</b>		
Provision for employee benefits		
Gratuity (refer note 27)	437	344
	<b>437</b>	<b>344</b>
<b>(b) Current</b>		
Provision for employee benefits		
Gratuity (refer note 27)	73	174
Compensated absences (refer note 27)	437	408
	<b>510</b>	<b>582</b>

## 15. Other liabilities

	31 March 2023	31 March 2022
<b>(a) Non-current</b>		
Deferred revenues	2,564	2,528
	<b>2,564</b>	<b>2,528</b>
<b>(b) Current</b>		
Advances from customers	5,314	4,353
Deferred revenues	743	421
Others		
- Statutory dues	171	140
- Other dues	338	320
	<b>6,566</b>	<b>5,234</b>

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 16. Trade payables

	31 March 2023	31 March 2022
Trade payables [refer note (a) below and note 26]		
Total outstanding dues of micro and small enterprises	166	34
Total outstanding dues of creditors other than micro and small enterprises	2,414	2,294
	<b>2,580</b>	<b>2,328</b>
<b>(a) Disclosure required under Clause 22 of Micro, Small and Medium Enterprise Development Act, 2006 ("MSMED Act")</b>		
(i) The principal amount and interest due thereon remaining unpaid to supplier as at the end of each accounting year		
- Principal amount due to micro and small enterprise	166	34
- Interest due on above	- *	1
(ii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	395	291
(iii) The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	- *	-
(iv) Interest accrued and remaining unpaid at the end of the year	- *	1
(v) Interest remaining due and payable in succeeding years, in terms of Section 23 of the MSMED Act, 2006	12	11

The above disclosures are provided by the Company based on the information available with the Company in respect of the registration status of its vendors.

\* Less than Rs. 0.5 million.

### (b) Aging schedule:

31 March 2023	Outstanding for following periods from due date of payment				Total
	Unbilled	Not due	Less than 1 year	More than 1 year	
Total outstanding dues of micro and small enterprises	-	166	-	-	166
Total outstanding dues of creditors other than micro enterprises and small enterprises	1,509	628	270	7	2,414
	<b>1,509</b>	<b>794</b>	<b>270</b>	<b>7</b>	<b>2,580</b>

31 March 2022	Outstanding for following periods from due date of payment				Total
	Unbilled	Not due	Less than 1 year	More than 1 year	
Total outstanding dues of micro and small enterprises	-	34	-	-	34
Total outstanding dues of creditors other than micro and small enterprises	1,430	640	224	-	2,294
	<b>1,430</b>	<b>674</b>	<b>224</b>	<b>-</b>	<b>2,328</b>

(c) All trade payables are current and undisputed. The Company's exposure to currency and liquidity risks related to trade payables is disclosed in note 28.

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 17. Other financial liabilities

	31 March 2023	31 March 2022
<b>Current</b>		
Payable for capital goods	582	1,096
Book overdraft	-	2
	<b>582</b>	<b>1,098</b>

## 18. Revenue from operations

	Year ended 31 March 2023	Year ended 31 March 2022
Contract research and manufacturing services income [refer note (a) below]	30,802	25,067
Other operating revenues		
Scrap sales	50	22
Others [refer note (b) below]	1,077	953
	<b>31,929</b>	<b>26,042</b>

### Note:

- (a) Revenue for the year ended 31 March 2022 include manufacture and sale of remdesivir, a broad-spectrum antiviral medication for the treatment of Covid-19 infection under the brand name 'RemWin' in a voluntary licensing agreement received from Gilead Sciences Inc.
- (b) Others include income from support services, rentals by the SEZ Developer and recognition of deferred revenue for assets funded by customers over the useful life.

## 18.1 Disaggregated revenue information

Set out below is the disaggregation of revenue:

	Year ended 31 March 2023	Year ended 31 March 2022
<b>Revenues from Contract research and manufacturing services income by geography</b>		
India	720	2,376
United States of America	22,288	18,220
Europe	5,711	2,701
Rest of the world	2,083	1,771
	<b>30,802</b>	<b>25,067</b>
<b>Revenue from other sources</b>		
Other operating revenues	1,127	975
	<b>1,127</b>	<b>975</b>
<b>Total revenue from operations</b>	<b>31,929</b>	<b>26,042</b>

Geographical revenue is allocated based on the location of the customers.

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 18.2 Contract balances

	Year ended 31 March 2023	Year ended 31 March 2022
Trade receivables [refer note (i) below]	5,293	5,077
Contract liabilities [refer note (ii) below]	8,621	7,302

**Notes:**

- (i) Trade receivables are non-interest bearing.
- (ii) Contract liabilities include advances from customers and deferred revenue.

## 18.3 Changes in Contract liabilities - advances from customers and deferred revenue

	Year ended 31 March 2023	Year ended 31 March 2022
<b>Balance at the beginning of the year</b>	7,302	6,545
Add: Increase due to invoicing during the year	8,683	5,686
Less: Revenue recognised from advances from customers at the beginning of the year	(3,482)	(3,544)
Less: Amounts recognised as revenue during the year	(3,882)	(1,385)
<b>Balance at the end of the year</b>	<b>8,621</b>	<b>7,302</b>
Expected revenue recognition from remaining performance obligations:		
- Within one year	6,058	4,774
- More than one year	2,564	2,528
	<b>8,621</b>	<b>7,302</b>

## 18.4 Performance obligation:

In relation to information about the Group's performance obligations in contracts with customers refer note 2(l).

## 19. Other income

	Year ended 31 March 2023	Year ended 31 March 2022
Interest income on:		
Deposits with banks and financial institutions	594	457
Lease deposits	9	8
Net gain on sale of current investments	106	63
	<b>709</b>	<b>528</b>

## 20. Cost of chemicals, reagents and consumables consumed

	Year ended 31 March 2023	Year ended 31 March 2022
Inventory at the beginning of the year	1,276	294
Add : Purchases	10,136	8,688
Less: Inventory at the end of the year	(2,390)	(1,276)
	<b>9,022</b>	<b>7,706</b>

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 21. Changes in inventories of finished goods and work-in-progress

	Year ended 31 March 2023	Year ended 31 March 2022
Inventories at the beginning of the year		
Work-in-progress	397	212
Finished goods	121	90
	<b>518</b>	<b>302</b>
Inventories at the end of the year		
Work-in-progress	733	397
Finished goods	205	121
	<b>938</b>	<b>518</b>
	<b>(420)</b>	<b>(216)</b>

## 22. Employee benefits expense

	Year ended 31 March 2023	Year ended 31 March 2022
Salaries, wages and bonus	7,316	6,052
Contribution to provident fund and other funds	318	275
Gratuity expenses (refer note 27)	108	125
Share based compensation expense (refer note 34)	236	371
Staff welfare expenses	439	358
	<b>8,417</b>	<b>7,181</b>

## 23. Finance costs

	Year ended 31 March 2023	Year ended 31 March 2022
Interest expense on:		
Borrowings	182	72
Lease liabilities [refer note 35]	163	103
Exchange difference to the extent considered as an adjustment to borrowing cost	107	66
	<b>452</b>	<b>241</b>

## 24. Depreciation and amortisation expense

	Year ended 31 March 2023	Year ended 31 March 2022
Depreciation of property, plant and equipment [refer note 3 (a)]	3,353	2,865
Depreciation of right-of-use assets [refer note 3 (b)]	186	120
Depreciation of investment property [refer note 3 (c)]	68	45
Amortisation of other intangible assets [refer note 4]	58	67
	<b>3,665</b>	<b>3,097</b>

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For the year ended March 31, 2023

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

## 25. Other expenses

	Year ended 31 March 2023	Year ended 31 March 2022
Rent	44	48
Communication expenses	77	37
Travelling and conveyance	461	283
Professional charges	711	571
Payments to auditors [refer note (a) below]	9	7
Directors' fees including commission	56	50
Power and fuel	692	648
Facility charges	317	177
Insurance	254	178
Rates and taxes	131	53
Repairs and maintenance		
Plant and machinery	1,119	916
Buildings	91	44
Others	556	471
Selling expenses		
Freight outwards and clearing charges	34	27
Sales promotion expenses	151	90
Provision for doubtful receivables	-	46
Bad debts written off	10	8
Less: Provision no longer required written back	(17)	(8)
Printing and stationery	39	32
Clinical trial expenses	100	49
Corporate social responsibility expenses (refer note 37)	98	93
Loss on assets scrapped	75	20
Miscellaneous expenses	140	118
	<b>5,148</b>	<b>3,958</b>
(a) Payments to auditors:		
As an auditor:		
Statutory audit	5	3
Tax audit	1	1
Limited review	2	2
In other capacity:		
Other services (certification fees) [refer note (i) below]	- *	-
Reimbursement of expenses	1	1
	<b>9</b>	<b>7</b>

(i) Amounts are not presented since the amounts are rounded off to Rupees million.

\* Less than Rs. 0.5 million.



# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 26. Related party transactions

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

### List of Related parties

Particulars	Nature of relationship
<b>A. Key management personnel</b>	
Kiran Mazumdar Shaw	Chairperson
John Shaw	Non-executive director (till 21 July 2021)
Jonathan Hunt	Managing Director and Chief Executive Officer
Catherine Rosenberg	Non-executive director
Carl Decicco	Independent director (till 28 February 2022)
	Non-executive director (w.e.f. 1 March 2022)
Sharmila Abhay Karve	Independent director
Paul Blackburn	Independent director
Vijay Kuchroo	Independent director
Vinita Bali	Independent director
Kush Parmar	Independent director (w.e.f. 22 June 2021)
Sibaji Biswas	Chief Financial officer
Priyadarshini Mahapatra	Company Secretary
<b>B. Holding company</b>	
Biocon Limited	Holding Company
<b>C. Fellow subsidiaries</b>	
Biocon Biologics Limited	Fellow subsidiary
Biocon SDN. BHD	Fellow subsidiary
Biocon Biologics UK Limited	Fellow subsidiary
Biocon Biologics Inc.	Fellow subsidiary
Biocon Biologics Do Brasil Ltda	Fellow subsidiary
Biocon Biologics FZ-LLC	Fellow subsidiary
Biocon Biologics Healthcare Malaysia	Fellow subsidiary
Biofusion Therapeutics Limited	Fellow subsidiary
Biocon Biosphere Limited	Fellow subsidiary
Biocon Pharma Limited	Fellow subsidiary
Biocon Pharma Inc.	Fellow subsidiary
Biocon Pharma Ireland Limited	Fellow subsidiary
Biocon Pharma Malta Limited	Fellow subsidiary
Biocon Pharma Malta I Limited	Fellow subsidiary
Biocon Pharma UK Limited	Fellow subsidiary
Biocon SA	Fellow subsidiary

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

Particulars	Nature of relationship
Biocon FZ LLC	Fellow subsidiary
Biocon Academy	Fellow subsidiary
Biosimilar Collaborations Ireland Limited	Fellow subsidiary (w.e.f 29 November 2022)
Biosimilar Newco Limited	Fellow subsidiary (w.e.f 29 November 2022)
<b>D. Other related parties</b>	
Bicara Therapeutics Inc.	Associate of Holding Company
Biocon Foundation	Trust in which a director is a trustee
Narayana Hrudayalaya Limited	Enterprise in which a director of the Company is a member of board of directors
Jeeves	Enterprise in which relative to a director of the Company is proprietor
Immuneel Therapeutics Private Limited	Enterprise in which a director of the Company is a member of board of directors

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## The Company has the following related parties transactions

Particulars	Transactions / Balances	31 March 2023	31 March 2022
<b>Key management personnel</b>	Salary and perquisites [refer note (i) & (ii) below]	123	110
	Sitting fees and commission	56	50
	Outstanding as at the year end		
	- Trade and other payables	14	13
<b>Holding company</b>	Rent	56	54
	Power and facility charges [refer note (iii) below]	313	204
	Purchase of goods	3	1
	Other expenses reimbursed	176	145
	Sale of services	8	28
	Rent and facility services	-	10
	Other expenses incurred on behalf	1	3
	Guarantee given to Central Excise Department	148	148
	Outstanding as at the year end		
	- Rent deposits	23	23
	- Trade and other payables	103	99
	- Trade and other receivables	13	74
<b>Fellow subsidiaries</b>	Business purchase	182	-
	Sale of services	156	502
	Rent and facility services	314	335
	Other expenses incurred on behalf	92	26
	Other expenses reimbursed	13	4
	Purchase of goods	10	7
	Outstanding as at the year end		
	- Trade and other payables	-	4
	- Trade and other receivables	268	243
<b>Other related Parties</b>	Sale of services	440	198
	Health services availed	3	5
	Contribution towards CSR	112	41
	Staff welfare expenses	3	3
	Provision for doubtful receivables	(88)	88
	Outstanding as at the year end		
	- Trade and other payables	- *	- *
	- Trade and other receivables	210	355
	- Allowance for credit losses	-	88

\* Less than Rs. 0.5 million.

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

- (i) The remuneration to the key managerial personnel does not include the provisions made for gratuity and compensated absences, as they are determined on an actuarial basis for the Company as a whole.
- (ii) Share based compensation expense allocable to key management personnel is Rs. 53 (31 March 2022 : Rs. 97), which is not included in the remuneration disclosed above.
- (iii) Effective from 1 October 2006, the Company has entered into an arrangement for lease of land on lease basis and a service agreement with 'Biocon SEZ Developer' of Biocon Limited for availing certain facilities and services. The facility charges of Rs. 282 (Year ended 31 March 2022 : Rs. 185) and power charges (including other charges) of Rs. 31 (Year ended 31 March 2022 : Rs. 19) have been charged by Biocon Limited for the year ended 31 March 2023.
- (iv) Fellow subsidiary companies with whom the Company did not have any transactions -
 

- Biocon Biologics Inc.	- Biocon Pharma Ireland Limited
- Biocon Biologics Do Brasil Ltda	- Biocon Pharma Malta Limited
- Biocon Biologics FZ-LLC	- Biocon Pharma Malta I Limited
- Biocon Biologics Healthcare SDN. BHD	- Biocon Pharma UK Limited
- Biocon Biosphere Limited	- Biocon SA
- Biocon Pharma Inc.	- Biocon FZ LLC
- Biocon Academy	- Biosimilar Collaborations Ireland Limited
- Biosimilar Newco Limited	
- (v) The above disclosures include related parties as per Ind AS 24 on "Related Party Disclosures" and Companies Act, 2013.
- (vi) All transactions with these related parties are priced on an arm's length basis and none of the balances are secured.

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 27. Employee benefit plans

- (i) The Company has a defined benefit gratuity plan as per the Payment of Gratuity Act, 1972 ('Gratuity Act'). Under the Gratuity Act, employee who has completed five years of service is entitled to specific benefit with no monetary limit. The level of benefit provided depends on the employee's length of service and salary at retirement/termination age. The gratuity plan is a funded plan and the Company makes contributions to a recognised fund in India.

The plan assets are maintained with HDFC Life Insurance Company Limited (HDFC Life) in respect of gratuity scheme for employees of the Company. The details of investments maintained by the HDFC Life are not available with the Company and not disclosed. The expected rate of return on plan assets is 7.31% p.a. (31 March 2022: 6.4% p.a.). The Company actively monitors how the duration and expected yield of the investments are matching the expected outflows arising from the employee benefit obligations.

The cost of the defined benefit plans and other long term benefits are determined using actuarial valuations. Actuarial valuations involve making various assumptions that may differ from actual developments in the future. These includes the determination of the discount rate, future salary increases and mortality rate. Due to these complexity involved in the valuation it is highly sensitive to the changes in these assumptions. All assumptions are reviewed at reporting date. The present value of the defined benefit obligation and the related current service cost and planned service cost were measured using the projected unit cost method.

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/liability
<b>Balance as on 1 April 2022</b>	<b>521</b>	<b>(3)</b>	<b>518</b>
Current service cost	77	-	77
Interest cost	30	-	30
<b>Amount recognised in Statement of profit and loss</b>	<b>107</b>	<b>-</b>	<b>107</b>
<i>Remeasurements:</i>			
Return on plan assets, excluding amounts included in interest expense / (income)	-	- *	- *
<b>Actuarial (gain) / loss arising from:</b>			
Demographic assumptions	(11)	-	(11)
Financial assumptions	(52)	-	(52)
Experience adjustment	(1)	-	(1)
<b>Amount recognised in other comprehensive income</b>	<b>(64)</b>	<b>-</b>	<b>(64)</b>
Benefits paid	(58)	-	(58)
Liability acquired through slump sale	8	-	8
<b>Balance as at 31 March 2023</b>	<b>513</b>	<b>(3)</b>	<b>510</b>

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/liability
<b>Balance as on 1 April 2021</b>	568	(3)	565
Current service cost	90	-	90
Interest cost	35	-	35
<b>Amount recognised in Statement of profit and loss</b>	<b>125</b>	<b>-</b>	<b>125</b>
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense / (income)	-	- *	- *
<b>Actuarial (gain) / loss arising from:</b>			
Demographic assumptions	(44)	-	(44)
Financial assumptions	(36)	-	(36)
Experience adjustment	(24)	-	(24)
<b>Amount recognised in other comprehensive income</b>	<b>(104)</b>	<b>-</b>	<b>(104)</b>
Benefits paid	(68)	-	(68)
<b>Balance as at 31 March 2022</b>	<b>521</b>	<b>(3)</b>	<b>518</b>

\* Less than Rs. 0.5 million.

	31 March 2023	31 March 2022
Non current	437	344
Current	73	174
	<b>510</b>	<b>518</b>

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

	31 March 2023	31 March 2022
Interest rate	7.3%	6.4%
Discount rate	7.3%	6.4%
Expected return on plan assets	7.3%	6.4%
Salary increase	8.0%	9.0%
Attrition rate (based on Age of the Employee)	9% - 22%	8% - 20%
Retirement age - Years	58	58

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

The weighted average duration of the defined benefit obligation was 6 years (31 March 2022 - 7 years).

The defined benefit plan exposes the Company to actuarial risks, such as interest rate risk.

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## (iii) Sensitivity analysis

Sensitivity analysis is performed by varying a single parameter while keeping all the other parameters unchanged. Sensitivity analysis does not recognise the interrelationship between underlying parameters. Hence, the results may vary if two or more variables are changed simultaneously. The method used does not indicate anything about the likelihood of change in any parameter and the extent of the change if any. The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are as below:

Particulars	31 March 2023		31 March 2022	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Discount rate	(24)	27	(28)	32
Salary increase	26	(24)	31	(28)
Attrition rate	(3)	3	(6)	7

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

As of 31 March 2023 and 31 March 2022, the plan assets have been invested in insurer managed funds and the expected contribution to the fund during the year ending 31 March 2023, is approximately Rs 73 (31 March 2022 - Rs 61).

Maturity profile of defined benefit obligation

Particulars	31 March 2023	31 March 2022
1st Following year	73	61
2nd Following year	69	56
3rd Following year	63	56
4th Following year	57	53
5th Following year	59	50
Years 6 to 10	210	214
Years 11 and above	268	321

## (iv) Risk Exposure

These defined benefit plans typically expose the Company to actuarial risks as under :

- Investment Risk: The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds.
- Interest rate risk: A decrease in bond interest rate will increase the plan liability.
- Longevity risk: The present value of the defined plan liability is calculated by reference to the best estimate of the mortality of plan participants. An increase in the life expectancy will increase the plan's liability.
- Salary risk: Higher than expected increase in salary will increase the defined benefit obligation.

## (v) Other long term benefits

Present value of other long term benefits (i.e. compensated absences) obligations at the end of the year :

Particulars	31 March 2023	31 March 2022
Compensated absences	437	408

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 28. Financial instruments: Fair value and risk managements

### A. Accounting classification and fair values

31 March 2023	Carrying amount				Fair value			
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Investments (non-current)#	66	372	503	941	-	-	438	438
Derivative assets (non-current)	-	841	-	841	-	841	-	841
Other financial assets (non-current)	-	-	1,511	1,511	-	-	-	-
Investments (current)	1,476	-	6,768	8,244	1,476	-	-	1,476
Trade receivables	-	-	5,293	5,293	-	-	-	-
Cash and cash equivalents	-	-	895	895	-	-	-	-
Bank balances other than above	-	-	4,422	4,422	-	-	-	-
Derivative assets (current)	-	460	-	460	-	460	-	460
Other financial assets (current)	-	-	552	552	-	-	-	-
	<b>1,542</b>	<b>1,673</b>	<b>19,945</b>	<b>23,159</b>	<b>1,476</b>	<b>1,301</b>	<b>438</b>	<b>3,215</b>
<b>Financial liabilities</b>								
Borrowings (non-current)	-	-	4,890	4,890	-	-	-	-
Lease liabilities (non-current)	-	-	2,142	2,142	-	-	-	-
Derivative liabilities (non-current)	-	215	-	215	-	215	-	215
Borrowings (current)	-	-	863	863	-	-	-	-
Lease liabilities (current)	-	-	257	257	-	-	-	-
Trade payables	-	-	2,580	2,580	-	-	-	-
Derivative liabilities (current)	-	377	-	377	-	377	-	377
Other financial liabilities (current)	-	-	582	582	-	-	-	-
	<b>-</b>	<b>592</b>	<b>11,314</b>	<b>11,906</b>	<b>-</b>	<b>592</b>	<b>-</b>	<b>592</b>
<b>31 March 2022</b>	<b>Carrying amount</b>				<b>Fair value</b>			
	<b>FVTPL</b>	<b>FVTOCI</b>	<b>Amortised Cost</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>								
Investments (non-current)#	37	263	2,403	2,703	-	-	300	300
Derivative assets (non-current)	-	1,249	-	1,249	-	1,249	-	1,249
Other financial assets (non-current)	-	-	203	203	-	-	-	-
Investments (current)	2,232	-	5,406	7,638	2,232	-	-	2,232
Trade receivables	-	-	5,077	5,077	-	-	-	-
Cash and cash equivalents	-	-	2,618	2,618	-	-	-	-
Bank balances other than above	-	-	2,561	2,561	-	-	-	-
Derivative assets (current)	-	842	-	842	-	842	-	842
Other financial assets (current)	-	-	384	384	-	-	-	-
	<b>2,269</b>	<b>2,354</b>	<b>18,652</b>	<b>23,275</b>	<b>2,232</b>	<b>2,091</b>	<b>300</b>	<b>4,623</b>
<b>Financial liabilities</b>								
Borrowings (non-current)	-	-	5,315	5,315	-	-	-	-
Lease liabilities (non-current)	-	-	2,102	2,102	-	-	-	-
Derivative liabilities (non-current)	-	84	-	84	-	84	-	84
Borrowings (current)	-	-	2,581	2,581	-	-	-	-
Lease liabilities (current)	-	-	218	218	-	-	-	-
Trade payables	-	-	2,328	2,328	-	-	-	-
Derivative liabilities (current)	-	8	-	8	-	8	-	8
Other financial liabilities (current)	-	-	1,098	1,098	-	-	-	-
	<b>-</b>	<b>92</b>	<b>13,642</b>	<b>13,734</b>	<b>-</b>	<b>92</b>	<b>-</b>	<b>92</b>



# Notes to the Consolidated Financial Statements

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

# Level 3 investments comprises of unquoted equity instruments. The fair valuation exercise has the following key assumptions: (a) DCF valuation after considering WACC and post startup discount (b) Comparable company valuation approach using 8x multiple of revenue. The fair value of Level 3 investments are based on the market comparable approach of similar companies using 8x multiple of revenue. The Company has considered the lower end of the valuation considering the same on a pre-revenue development stage. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

- (a) The fair value of trade receivables, trade payables and other current financial assets and liabilities is considered to be equal to the carrying amounts of these items due to their short term nature.
- (b) There have been no transfers between level 1, 2 and 3 needs to be made.
- (c) The Company enters into derivative financial instruments with various counterparties. Derivatives are valued using valuation techniques in consultation with market expert. The most frequently applied valuation technique include forward pricing, swap models and Black Scholes Merton Model (for options valuation), using present value calculations. The models incorporate various inputs including foreign exchange forward rates, interest rate curve and forward rates curve.

## Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 values.

Particulars	FVTPL	FVTOCI	Total
Balance as at 01 April 2022	37	263	300
Gain included in OCI			
- Net change in fair value (unrealised)	-	109	109
Investment made in the current year			
- In equity instruments	9	-	9
- In debt instruments	20	-	20
<b>Balance as at 31 March 2023</b>	<b>66</b>	<b>372</b>	<b>438</b>

## Measurement of fair values

Fair value of liquid mutual funds are based on quoted price. Derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the market place.

## Sensitivity analysis

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

Significant observable inputs	Impact on profit or loss		Impact on other equity	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Movement in spot rate of the foreign currency				
INR/USD - Increase by 1%	-	-	(654)	(608)
INR/USD - Decrease by 1%	-	-	657	611
Movement in Interest rates				
LIBOR - Increase by 100 bps	-	-	(120)	(167)
LIBOR - Decrease by 100 bps	-	-	120	167

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## B. Financial risk management

The Group's activities expose it to a variety of financial risks : credit risk, market risk and liquidity risk.

### (i) Risk management framework

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

### (ii) Credit risk

Credit risk is the risk that the counterparty will not meet its obligation under a financial instrument or customer contract, leading to financial loss. The credit risk arises principally from its operating activities (primarily trade receivables and unbilled revenues) and from its investment activities, including deposits with banks and financial institutions, investments in mutual funds and other financial instruments.

The Group has established a credit mechanism under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and other publicly available financial information. Outstanding customer receivables are regularly monitored.

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The maximum exposure to credit risk as at reporting date is primarily from trade receivables and unbilled revenue amounting to Rs. 5,293 (31 March 2022: Rs 5,077). The movement in allowance for impairment in respect of trade receivables during the year was as follows:

Allowance for Impairment	31 March 2023	31 March 2022
Opening balance	100	62
Impairment loss recognised	-	46
Impairment loss reversed	(17)	(8)
<b>Closing balance</b>	<b>83</b>	<b>100</b>

Note: During the year ended 31 March 2023, impairment loss reversed includes Rs. 17 (31 March 2022: Rs. 8) pertaining to customer balances written off.

Details of trade receivables that are not due, past due and impaired is given below:

Particulars	31 March 2023	31 March 2022
Neither past due nor impaired	4,220	3,915
Past due but not impaired		
Less than 180 days	981	818
180 days - 365 days	149	173
More than 365 days	26	271
Less: Allowance for credit losses	(83)	(100)
<b>Total</b>	<b>5,293</b>	<b>5,077</b>

There is no receivable from customer (31 March 2022 : Nil) of the Company's receivables which is more than 10 percent of the Company's total receivables.

Credit risk on investments, cash and cash equivalent and derivatives is limited as the Company generally transacts with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies. All these banks and financial institutions are high-rate funds of minimum AA+ and above. Investments primarily include investment in liquid mutual fund units and non-convertible debentures.

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## (iii) Liquidity risk

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

The Group believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived. In addition, the Group maintains line of credits as stated in note 13.

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of 31 March 2023:

Particulars	Less than 1 year	1 - 2 years	2-5 years	More than 5 years	Total
Lease liabilities (non-current)	-	260	783	2,817	3,860
Lease liabilities (current)	242	-	-	-	242
Borrowings (non-current)	-	1,438	3,452	-	4,890
Borrowings (current)	863	-	-	-	863
Trade payables	2,580	-	-	-	2,580
Derivative liabilities (non-current)	-	84	87	44	215
Derivative liabilities (current)	377	-	-	-	377
Other financial liabilities	582	-	-	-	582
<b>Total</b>	<b>4,644</b>	<b>1,782</b>	<b>4,322</b>	<b>2,861</b>	<b>13,609</b>

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of 31 March 2022:

Particulars	Less than 1 year	1 - 2 years	2-5 years	More than 5 years	Total
Lease liabilities (non-current)	-	242	728	3,052	4,022
Lease liabilities (current)	228	-	-	-	228
Borrowings (non-current)	-	1,177	4,138	-	5,315
Borrowings (current)	2,581	-	-	-	2,581
Trade payables	2,328	-	-	-	2,328
Derivative liabilities (non-current)	-	1	1	82	84
Derivative liabilities (current)	8	-	-	-	8
Other financial liabilities	1,098	-	-	-	1,098
<b>Total</b>	<b>6,243</b>	<b>1,420</b>	<b>4,867</b>	<b>3,134</b>	<b>15,664</b>

## (iv) Market risk

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

### Foreign currency risk

The Group operates internationally and a major portion of the business is transacted in several currencies and consequently, the Group is exposed to foreign exchange risk through operating and borrowing activities in foreign currency. The Group holds derivative instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates and foreign currency exposure.

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

The currency profile of financial assets and financial liabilities as at 31 March 2023 and 31 March 2022 are as below:

31 March 2023	USD	EUR	Others
<b>Financial assets</b>			
Trade receivables	4,410	207	-
Cash and cash equivalents	351	41	1
Derivative assets	1,301	-	-
Other financial assets (current)	105	-	-
<b>Financial liabilities</b>			
Borrowings (current)	(4,890)	-	-
Borrowings (non-current)	(863)	-	-
Trade payables	(400)	(25)	(198)
Derivative liabilities	(592)	-	-
Other financial liabilities (current)	(114)	(31)	(26)
<b>Net assets / (liabilities)</b>	<b>(692)</b>	<b>192</b>	<b>(223)</b>

31 March 2022	USD	EUR	Others
<b>Financial assets</b>			
Trade receivables	4,265	43	-
Cash and cash equivalents	1,627	64	1
Derivative assets	-	-	-
Other financial assets (current)	20	-	-
<b>Financial liabilities</b>			
Borrowings (current)	(5,315)	-	-
Borrowings (non-current)	(2,581)	-	-
Trade payables	(249)	(34)	(32)
Derivative liabilities	(92)	-	-
Other financial liabilities (current)	(259)	(35)	(46)
<b>Net assets / (liabilities)</b>	<b>(2,584)</b>	<b>38</b>	<b>(77)</b>

## Sensitivity analysis

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

Particulars	Impact on profit or loss		Impact on other equity	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
USD Sensitivity				
INR/USD - Increase by 1%	(6)	(25)	(660)	(800)
INR/USD - Decrease by 1%	8	25	665	803
EUR Sensitivity				
INR/EUR - Increase by 1%	2	1	2	1
INR/EUR - Decrease by 1%	(1)	(1)	(1)	(1)

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## Derivative financial instruments

The Company uses derivative financial instruments exclusively for hedging financial risks that arise from its commercial business or financing activities. The Company's Treasury team manages its foreign currency risk by hedging forecasted transactions like sales, purchases and capital expenditures. When a derivative is entered for hedging, the Company matches the terms of those derivatives to the underlying exposure. All identified exposures are managed as per the policy duly approved by the Board of Directors.

The following table gives details in respect of outstanding foreign exchange forward and option contracts:

Particulars	31 March 2023	31 March 2022
Foreign exchange forward contracts to sell USD with maturity between 0-8 years	USD 618 (Rs. 50,789)	USD 591 (Rs. 44,869)
European style option contracts with periodical maturity between 0-8 years	USD 264 (Rs. 22,025)	USD 268 (Rs. 20,347)
Interest rate swaps used for hedging LIBOR component in External Commercial Borrowings with maturity between 0-3 years	USD 50 (Rs. 4,109)	USD 50 (Rs. 3,796)

## Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the year ended 31 March 2023 and 31 March 2022 the Company's borrowings at variable rate were mainly denominated in USD.

### (a) Interest rate risk exposure

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

Particulars	31 March 2023	31 March 2022
Variable rate borrowings	1,644	1,519
Fixed rate borrowings	4,109	6,377
<b>Total borrowings</b>	<b>5,753</b>	<b>7,896</b>

### (b) Sensitivity

#### Fixed rate borrowings:

The Group policy is to maintain its long-term borrowings at fixed rate using interest rate swaps to achieve this when necessary. They are therefore not subject to interest rate risk as defined under Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of change in market interest rates.

#### Variable rate borrowings:

A reasonably possible change of 100 bps would have increased / (decreased) profit and loss and equity by Rs. 16 (31 March 2022 : Rs. 15).

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 29. Capital management

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

The Group's goal is to continue to be able to return excess liquidity to shareholders by continuing to distribute annual dividends in future periods.

The amount of future dividends of equity shares will be balanced with efforts to continue to maintain an adequate liquidity status.

The capital structure as of 31 March 2023 and 31 March 2022 was as follows:

Particulars	31 March 2023	31 March 2022
Total equity attributable to the equity shareholders of the Company	36,180	32,976
<b>As a percentage of total capital</b>	<b>86%</b>	<b>81%</b>
Long-term borrowings	4,890	5,315
Short-term borrowings	863	2,581
<b>Total borrowings</b>	<b>5,753</b>	<b>7,896</b>
<b>As a percentage of total capital</b>	<b>14%</b>	<b>19%</b>
<b>Total capital (Equity and Borrowings)</b>	<b>41,933</b>	<b>40,872</b>

## 30. Tax expense

### (a) Amount recognised in Statement of profit and loss

	31 March 2023	31 March 2023
Current tax	1,061	837
Deferred tax:		
MAT credit entitlement	109	47
Others related to:		
Origination and reversal of other temporary differences	122	2
<b>Tax expense for the year</b>	<b>1,292</b>	<b>886</b>
<b>Reconciliation of effective tax rate</b>		
Profit before tax and exceptional item	5,936	5,151
Add: Exceptional item	-	(307)
Profit before tax	5,936	4,844
Tax at statutory income tax rate 34.94% (31 March 2022 - 34.94%)	2,073	1,692
<i>Tax effects of amounts which are not deductible / (taxable) in calculating taxable income</i>		
Tax incentive	(908)	(953)
Non-deductible expense	107	41
Basis difference that will reverse during the tax holiday period	(42)	(148)
Others	62	65
<b>Income tax expense</b>	<b>1,292</b>	<b>886</b>

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## (b) Recognised deferred tax assets and liabilities

The following is the movement of deferred tax assets / liabilities presented in the balance sheet

For the year ended 31 March 2023	Opening balance	Recognised in profit or loss	Recognised in OCI	Recognised in equity	Closing balance
<b>Deferred tax asset</b>					
MAT credit entitlement	1,727	(109)	-	-	1,618
Defined benefit obligations	152	31	(13)	-	170
Others	28	(4)	(24)	-	-
<b>Gross deferred tax assets</b>	<b>1,907</b>	<b>(82)</b>	<b>(37)</b>	<b>-</b>	<b>1,788</b>
<b>Deferred tax liability</b>					
Property, plant and equipment, investment property and intangible assets, net	1,067	154	-	-	1,221
Derivatives, net	164	-	(319)	-	(154)
Others	20	(5)	9	-	24
<b>Gross deferred tax liability</b>	<b>1,251</b>	<b>149</b>	<b>(310)</b>	<b>-</b>	<b>1,092</b>
<b>Deferred tax assets / (liabilities), net</b>	<b>656</b>	<b>(231)</b>	<b>273</b>	<b>-</b>	<b>696</b>

For the year ended 31 March 2022	Opening balance	Recognised in profit or loss	Recognised in OCI	Recognised in equity	Closing balance
<b>Deferred tax asset</b>					
MAT credit entitlement	1,774	(47)	-	-	1,727
Defined benefit obligations	104	74	(26)	-	152
Others	11	17	-	-	28
<b>Gross deferred tax assets</b>	<b>1,889</b>	<b>44</b>	<b>(26)</b>	<b>-</b>	<b>1,907</b>
<b>Deferred tax liability</b>					
Property, plant and equipment, investment property and intangible assets, net	974	93	-	-	1,067
Derivatives, net	24	-	140	-	164
Others	-	-	20	-	20
<b>Gross deferred tax liability</b>	<b>998</b>	<b>93</b>	<b>160</b>	<b>-</b>	<b>1,251</b>
<b>Deferred tax assets / (liabilities), net</b>	<b>891</b>	<b>(49)</b>	<b>(186)</b>	<b>-</b>	<b>656</b>

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 31. Contingent liabilities and commitments *(to the extent not provided for)*

### (i) Contingent liabilities

	31 March 2023	31 March 2022
<b>(a) Claims against the Company not acknowledged as debt</b>	<b>6,219</b>	<b>5,478</b>
The above includes:		
(I) Income tax matters under dispute for notices and orders received relating to financial year 2008 - 09 to 2020 - 21 (31 March 2022 : financial year 2002 - 03 to 2019 - 20)	6,206	5,454
(II) Indirect tax matters under dispute for notices and orders received relating to financial year 2009-10 to 2017-18 (31 March 2022 : financial year 2009 - 10 to 2017 - 18)	13	24

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

Including the matters disclosed above, the Group is involved in taxation matters that arise from time to time in the ordinary course of business for years that are under assessment. Judgment is required in assessing the range of possible outcomes for some of these tax matters, which could change substantially over time as each of the matter progresses depending on experience on actual assessment proceedings by tax authorities and other judicial precedents. Based on its internal assessment supported by external legal counsel views, if any, the Company believes that it will be able to sustain its positions if challenged by the authorities and accordingly no additional provision is required for these matters. Management is of the view that above matters will not have any material adverse effect on the Company's financial position and results of operations.

### (b) Guarantees

	31 March 2023	31 March 2022
Guarantees given by banks on behalf of the Company for contractual obligations of the Company.	- *	-

The necessary terms and conditions have been complied with and no liabilities have arisen.

### (ii) Commitments

	31 March 2023	31 March 2022
Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances	1,836	1,163

\* Less than Rs. 0.5 million.



# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 32. (a) Interest in other entities

### Subsidiaries

The Group's subsidiary as at 31 March 2023 is set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held by the Group, and proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Country of incorporation	Ownership interest held by the group		Ownership interest held by the non-controlling interest		Principal activities
		31 March 2023	31 March 2022	31 March 2023	31 March 2022	
		%	%	%	%	
Syngene USA Inc.	United States	100	100	-	-	Business support and marketing for research services
Syngene Scientific Solutions Limited	India	100	-	-	-	CRAMS and clinical research services
Syngene Manufacturing Solutions Limited	India	100	-	-	-	Manufacture of enzyme products and medicinal goods

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

(b) Additional information, as required under Schedule III of the Act, of enterprises consolidated as subsidiary

Name of entity	Net assets as at 31 March 2023		Share in profit or loss for the year ended 31 March 2023		Share in other comprehensive income for the year ended 31 March 2023		Share in total comprehensive income for the year ended 31 March 2023	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount	As a % of consolidated other comprehensive income	Amount	As a % of consolidated other comprehensive income	Amount
<b>Holding Company</b>								
Syngene International Limited	99.9%	36,140	100.3%	4,656	100%	(972)	100.3%	3,685
<b>Subsidiaries</b>								
Syngene USA Inc.	0.2%	81	0.6%	28	-	-	0.8%	28
Syngene Scientific Solutions Limited	-0.1%	(41)	-0.9%	(41)	-	-	-1.1%	(41)
Syngene Manufacturing Solutions Limited	0.0%	0	0.0%	0	-	-	0.0%	0
Non-controlling interest	-	-	-	-	-	-	-	-
<b>Total</b>	<b>100%</b>	<b>36,180</b>	<b>100%</b>	<b>4,644</b>	<b>100%</b>	<b>(972)</b>	<b>100%</b>	<b>3,672</b>

Name of entity	Net assets as at 31 March 2022		Share in profit or loss for the year ended 31 March 2022		Share in other comprehensive income for the year ended 31 March 2022		Share in total comprehensive income for the year ended 31 March 2022	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount	As a % of consolidated other comprehensive income	Amount	As a % of consolidated other comprehensive income	Amount
<b>Holding Company</b>								
Syngene International Limited	99.8%	32,916	99.5%	3,939	100%	433	99.6%	4,371
<b>Subsidiary</b>								
Syngene USA Inc.	0.2%	60	0.5%	19	-	-	0.4%	19
Non-controlling interest	-	-	-	-	-	-	-	-
<b>Total</b>	<b>100%</b>	<b>32,976</b>	<b>100%</b>	<b>3,958</b>	<b>100%</b>	<b>433</b>	<b>100%</b>	<b>4,390</b>

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 33. Segmental Information

### Operating segments

The Group is engaged in a single operating segment of providing contract research and manufacturing services. Accordingly, there are no additional disclosures to be provided Ind AS 108 'Operating Segments' other than those already provided in these consolidated financial statements.

### Geographical information

The geographical information analyses the Group's revenues and non-current assets by the Group's country of domicile (i.e. India) and other countries. In presenting the geographical information, revenue has been based on the geographic location of the customers and assets which have been based on the geographical location of the assets.

	Year ended March 31, 2023	Year ended March 31, 2022
<b>Revenue from operations:</b>		
India	1,217	2,789
United States of America	22,918	18,782
Europe	5,711	2,701
Rest of the World	2,083	1,771
<b>Total</b>	<b>31,929</b>	<b>26,042</b>

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

Carrying amount of non-current assets	March 31, 2023	March 31, 2022
India	30,068	28,768
Outside India	-	-
<b>Total</b>	<b>30,068</b>	<b>28,768</b>

Note: Non-current assets excludes investments, derivative assets, financial assets and deferred tax assets.

### Major customer

Revenue from one customer (31 March 2022 - one customer) of the Company's Revenue from operations aggregates to Rs. 6,135 (31 March 2022 - Rs. 5,645) which is more than 10 percent of the Company's total revenue.

## 34. Share based compensation

### Syngene ESOP Plan 2011

On 20 July 2012, Syngene Employee Welfare Trust ('Trust') was created for the welfare and benefit of the employees and directors of the Company and administrated by the Nomination and Remuneration Committee. The Board of Directors approved the employee stock option plan of the Company. On 31 October 2012, the Trust subscribed into the equity shares of the Company using the proceeds from interest free loan of Rs. 150 million obtained from the Company.

### Grant

Pursuant to the Scheme, the Company has granted options to eligible employees of the Company under Syngene Employee Stock Option Plan - 2011. Each option entitles for one equity share. The options under this grant will vest to the employees as 25%, 35% and 40% of the total grant at end of second, third and fourth year from the date of grant, respectively, with an exercise period of three years for each grant. The vesting conditions include service terms and performance of the employees. These options are exercisable at an exercise price of Rs. 11.25 [31 March 2022 : Rs. 11.25] per share (Face Value of Rs. 10 per share).

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## Details of Grant

Particulars	31 March 2023 No. of options	31 March 2022 No. of options
Outstanding at the beginning of the year	1,342,140	1,958,084
Granted during the year	-	-
Forfeited / lapsed during the year	(30,883)	(126,792)
Exercised during the year	(701,066)	(489,152)
<b>Outstanding at the end of the year</b>	<b>610,191</b>	<b>1,342,140</b>
Exercisable at the end of the year	549,377	482,332
Weighted average exercise price	11.25	11.25
Weighted average share price at the date of exercise (In Rs)	572.7	589.6

The weighted average remaining contractual life for the stock options outstanding as at 31 March 2023 is 4 years [31 March 2022 : 5 years ].

## Syngene Restricted Stock Unit Long Term Incentive Plan 2020

The Board of Directors of the Company on 24 April 2019 and the Shareholders of the Company in the Annual General Meeting held on 24 July 2019 approved the Syngene Restricted Stock Unit Long Term Incentive Plan FY 2020. Each option entitles for one equity share. The options under this grant will vest to the employees as 25%, 25%, 25% and 25% of the total grant at the end of first, second, third and fourth year from the date of first grant, respectively, with an exercise period of 5 years for each grant. The vesting conditions include service terms and performance of the employees. These options are exercisable at an exercise price of Rs. 10 per share (Face Value of Rs. 10 per share).

## Details of Grant

Particulars	31 March 2023 No. of options	31 March 2022 No. of options
Outstanding at the beginning of the year	2,627,537	3,103,825
Granted during the year	89,704	418,132
Forfeited during the year	(326,215)	(467,068)
Exercised during the year	(817,184)	(427,352)
<b>Outstanding at the end of the year</b>	<b>1,573,842</b>	<b>2,627,537</b>
Exercisable at the end of the year	505,928	231,837
Weighted average exercise price	10.00	10.00
Weighted average fair value of shares granted during the year under Black Scholes Model (In Rs)	570.01	615.00
Weighted average share price at the date of exercise during the year (In Rs)	569.8	584.3

The weighted average remaining contractual life for the stock options outstanding as at 31 March 2023 is 4.34 years [31 March 2022 : 5.19 years ].

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For the year ended March 31, 2023

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

Assumptions used in determination of the fair value of the stock options under the Black Scholes Model are as follows:

Particulars	31 March 2023	31 March 2022
Dividend yield (%)	0.0%	0.1%
Exercise Price (In Rs)	10	10
Volatility	30.4%	32.9%
Life of the options granted (vesting and exercise period) [in years]	4.5	5.5
Average risk-free interest rate	7.3%	5.0%

## 35. Leases

The Company has entered into lease agreements for use of land, buildings, plant and equipment and vehicles which expires over a period ranging upto the year of 2039. Gross payments for the year aggregate to Rs. 251 (31 March 2022 - Rs. 183). The weighted average borrowing rate of 7% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

The following is the movement in lease liabilities during the year ended 31 March 2023:

Particulars	Land	Buildings	Vehicles	Total
Balance at the beginning	328	1,962	30	2,320
Additions during the year	16	118	38	172
Finance cost accrued during the period	7	153	3	163
Deletions	-	-	(6)	(6)
Payment of lease liabilities	(35)	(194)	(22)	(251)
<b>Balance at the end</b>	<b>316</b>	<b>2,039</b>	<b>43</b>	<b>2,399</b>

The following is the movement in lease liabilities during the year ended 31 March 2022:

Particulars	Land	Buildings	Vehicles	Total
Balance at the beginning	56	1,116	34	1,206
Additions during the year	302	953	22	1,277
Finance cost accrued during the period	4	96	3	103
Deletions	-	(75)	(8)	(83)
Payment of lease liabilities	(34)	(128)	(21)	(183)
<b>Balance at the end</b>	<b>328</b>	<b>1,962</b>	<b>30</b>	<b>2,320</b>

\* Less than Rs. 0.5 million.

The following is the break-up of current and non-current lease liabilities:

	31 March 2023	31 March 2022
Current	257	218
Non-current	2,142	2,102
<b>Total</b>	<b>2,399</b>	<b>2,320</b>

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis:

	31 March 2023	31 March 2022
Less than one year	242	228
One to five years	1,044	970
More than five years	2,817	3,052
<b>Total</b>	<b>4,103</b>	<b>4,250</b>

The following are the amounts recognised in the statement of profit or loss for the year ended 31 March 2023:

	31 March 2023	31 March 2022
Depreciation expenses on right of use-assets	186	120
Interest expenses on lease liabilities	163	103
<b>Total</b>	<b>349</b>	<b>223</b>

## 36. Exceptional items

The Ministry of Commerce and Industry, Government of India issued a Gazette notification number 29/2015-2020 dated 23 September 2021 on Service Exports from India Scheme (SEIS) for services rendered in financial year 2019 - 2020 with the total entitlement capped at Rs. 50 million per exporter for the period. The Company has reversed the SEIS claim receivables of Rs. 307 million for the financial year 2019-2020 and the same has been presented under Exceptional items in this consolidated financial statement for the year ended 31 March 2022.

## 37. Corporate social responsibility

As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities.

	March 31 2023	March 31 2022
(a) Amount required to be spent by the Company during the year	98	93
(b) Amount unspent of previous years shortfall	59	21
(c) Amount spent during the year (in cash)		
(i) Construction / acquisition of any asset	-	-
(ii) On purposes other than (i) above*	137	55
(d) Amount unspent and carried forward to next year	20	59

\* Includes CSR towards related party [refer note 26]

Out of required amount of Rs 98 to be spent for financial year 2022-23, the Board of Directors has decided to allocate Rs 16 of the budget for year ending 31 March 2023 towards promoting education, academic sponsorship and research grants. However, the project was delayed. The Board has approved for transfer of unspent amount of Rs 16 for the year ending 31 March 2023 to a separate Unspent CSR account for utilisation during FY 2023-24.

Out of required amount Rs 59 unspent from previous financial years, the Board of Directors has decided to allocate Rs 3 of the budget towards COVID testing as well as vaccination activities and Rs. 1 towards academic sponsorship and research grants respectively. However, due to the downsurge of Covid-19 during the year, there was limited requirement of vaccines and the project was delayed. The Board has approved the retention of unspent amount of Rs 4 for the year ending 31 March 2023 in a separate Unspent CSR account for utilisation during FY 2023-24.

(e) The Company has undertaken CSR activities in nature of Community COVID 19 testing, vaccination program, mass rapid transit, women's safety and empowerment, promoting education, school programs, smart clinic and health during the year ended 31 March 2023 and 31 March 2022. All the above projects are ongoing projects.

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 38. Earnings per equity share (EPS)

	March 31 2023	March 31 2022
<i>Earnings</i>		
Profit for the year	4,644	3,958
<i>Shares</i>		
Basic outstanding shares	401,434,500	400,796,500
Less: Weighted average shares held with the ESOP Trust	(771,236)	(2,647,740)
<b>Weighted average shares used for computing basic EPS</b>	<b>400,663,264</b>	<b>398,148,760</b>
Add: Effect of dilutive options granted but not yet exercised / not yet eligible for exercise	2,961,829	4,765,753
<b>Weighted average shares used for computing diluted EPS</b>	<b>403,625,093</b>	<b>402,897,208</b>
<b>Earnings per equity share</b>		
Basic (in Rs.)	11.59	9.94
Diluted (in Rs.)	11.51	9.82

## 39. Other Statutory Information :

- (i) The Group does not have any Benami property or any proceeding is pending against the Group for holding any Benami property.
- (ii) The Group do not have any transactions with companies struck off.
- (iii) The Group do not have any charges or satisfaction which is yet to be registered with Registrar of Companies beyond the statutory period.
- (iv) The Group has not traded or invested in crypto currency or virtual currency during the financial year.
- (v) The Group has not advanced or loaned or invested any funds (either from borrowed funds or share premium or any other sources or kind of funds) by the Group to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Group (Ultimate Beneficiaries).
- (vi) The Group has not received any fund from any parties (Funding Party) with the understanding that the Group shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Group ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (vii) The Group is not classified as wilful defaulter.
- (viii) The Group doesn't have any transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 such as search or survey.

40. On 27 April 2022, the Board of Directors of the Company have approved an allotment of 638,000 equity shares of Rs. 10/- (Rupees Ten each) of the Company to Syngene Employee Welfare Trust at face value pursuant to the shareholders' approval at the Annual General Meeting on 24 July 2019 to allot fresh equity shares upto 1.67% of the paid-up equity capital of the Company in tranches for the purpose of implementation of the Syngene International Limited - Restricted Stock Unit Long Term Incentive Plan FY 2020.

# Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

## 41. Acquisition through slump sale :

On 02 August 2022, the Company's Board of Directors approved the acquisition of certain laboratory facilities along with a team of scientists from Biofusion Therapeutics Limited, a fellow subsidiary, through a slump sale of assets and liabilities for a consideration of Rs. 182 million. In accordance with Ind AS 103, Business combinations, the acquisition qualified to be a business combination between entities under common control. Accordingly, acquisition was accounted for at book values with the difference between consideration paid and balances taken over being recorded in reserves. The financial information, in respect of prior periods, as if the business combination had occurred from the beginning of the preceding period in these consolidated financial statements have not been restated as the impact was considered to be immaterial.

The following table summarises major class of the assets and liabilities acquired through slump sale as on date of acquisition:

<b>Assets</b>	
Property, plant and equipment	518
Other current assets	1
	<b>519</b>
<b>Liabilities</b>	
Borrowings	548
Employee benefit provisions	10
Trade payables	78
Other financial liabilities	3
	<b>639</b>

- 42.** On 27 April 2022, the Board of Directors of the Company proposed a final dividend of 10% or Rs. 1 per equity share as on the record date for distribution of the final dividend (comprising of a regular dividend of 5% or Rs. 0.5 per equity share and an additional special dividend of 5% or Rs. 0.5 per equity share). The shareholders approved the dividend in the Annual General Meeting held on 20 July 2022 and was subsequently paid.

## 43. Events after reporting period:

(a) On 26 April 2023, the Board of Directors of the Company have approved an allotment of 580,500 equity shares of Rs. 10/- (Rupees Ten each) of the Company to Syngene Employee Welfare Trust at face value pursuant to the shareholders' approval at the Annual General Meeting on 24 July 2019 to allot fresh equity shares upto 1.67% of the paid-up equity capital of the Company in tranches for the purpose of implementation of the Syngene International Limited - Restricted Stock Unit Long Term Incentive Plan FY 2020.

(b) On 26 April 2023, the Board of Directors recommended a final dividend of Rs. 1.25 per equity share of Rs. 10/- (comprising a regular dividend of Rs.0.5 per share and a special additional dividend of Rs. 0.75 per share to mark the 30th anniversary of the founding of the Company in November 1993). The proposed dividend is subject to the approval of the shareholders in the Annual General Meeting.

## 44. Prior year's comparatives

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

As per our report of even date attached

for **B S R & Co. LLP**

Chartered Accountants

Firm Registration No: 101248W/W-100022

**Sampad Guha Thakurta**

Partner

Membership number: 060573

Bengaluru

April 26, 2023

for and on behalf of **Board of Directors of Syngene International Limited**

**Kiran Mazumdar Shaw**

Chairperson

DIN: 00347229

**Sibaji Biswas**

Chief Financial Officer

Bengaluru

April 26, 2023

**Jonathan Hunt**

Managing Director and Chief Executive Officer

DIN: 07774619

**Priyadarshini Mahapatra**

Company Secretary

FCS Number: F8786