

INDEPENDENT AUDITOR'S REPORT

To the Members of M/s Arco Lab Private Limited

Report on the Ind AS financial statements

We have audited the accompanying Ind AS financial statements of M/s Arco Lab Private Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, the loss and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Information other than the Financial Statements and Auditor's Report thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's Report, but does not include the financial statements and our auditor's report thereon.

The Board's Report is expected to be made available to us after the date of this Auditor's Report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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



When we read Board's Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, other comprehensive income, changes in equity and cash flows of the Company in accordance with Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is included in "Annexure - A" of this auditor's report.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the **Annexure - B** a statement on the matters specified in paragraphs 3 and 4 of the order.
2. As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;



- b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c. The Balance Sheet, the Statement of Profit & Loss, Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report are in agreement with the books of account;
- d. In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with the relevant rules issued there under;
- e. On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164(2) of the Act;
- f. With respect to the other matters to be included in the Auditors' Report in accordance with the requirements of Section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its Directors during the year is in accordance with the provisions of Section 197 of the Act.
- g. With respect to the adequacy of internal financial controls over financial reporting of the company and the operating effectiveness of such controls, we give a separate report in the Annexure - C; and
- h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company does not have any pending litigations which would impact its financial position;
- ii. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

Place: Bangalore
Date : June 4, 2020



For GNANOBA & BHAT,
Chartered Accountants,
Firm Regn No. 000939S

R. UMESH
Partner

M. No. 027892
UDIN: 20027892AAAAAE6815

ANNEXURE-A TO THE AUDITOR'S REPORT

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls systems in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Place: Bangalore
Date : June 4, 2020



For GNANOBA & BHAT,
Chartered Accountants,
Firm Regn No. 000939S

R. UMESH
Partner

M. No. 027892
UDIN: 20027892AAAAAE6815

ANNEXURE - B TO AUDITOR'S REPORT REFERRED TO IN PARAGRAPH 1 OF OUR
REPORT OF EVEN DATE

- (i) In respect of its fixed assets:
- a) The Company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets;
 - b) As explained to us, the fixed assets were physically verified during the year by the Management in line with an internal programme of verification. According to the information and explanations given to us, no material discrepancies were noticed on such verification. In our opinion, the periodicity of verification is reasonable having regard to size of the Company and the nature of its assets;
 - c) The company did not own any immovable properties during the year.
- (ii) The Company did not carry any inventories during the year and hence reporting under this clause is not applicable.
- (iii) According to the information and explanations given to us, the Company has not granted loans to any parties listed in the register maintained under section 189 of the Companies Act, 2013 and hence clause (iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, the Company has not entered into any transactions which come under the purview of Section 185 and 186 of the Companies Act, 2013 and hence clause (iv) of the Order is not applicable.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public in terms of Chapter-V the Companies Act, 2013 read with The Companies (Acceptance of Deposits) Rules, 2014 and hence reporting under this clause is not applicable.
- (vi) To the best of our knowledge and as explained to us, the Central Government has not specified the maintenance of cost records under sub-section 1 of section 148 of the Companies Act, 2013.
- (vii) According to the information and explanations given to us and on the basis of examination of the books and records as produced before us, in respect of statutory dues and other dues :
- a) The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Custom Duty, Cess and other statutory dues with the appropriate authorities during the period wherever applicable. There were no material undisputed amounts in respect of the above statutory dues, which were in arrears as at 31st March 2020, for a period more than six months from the date they became due.
 - b) There were no statutory dues which were not deposited on account of any dispute.
- (viii) The company has not borrowed any funds from any financial institution or bank or Government or issued any debentures and hence reporting under this clause is not applicable.



- (ix) The Company has not raised moneys by way of initial public offer, further public offer or any term loans during the year and hence reporting under this clause is not applicable.
- (x) To the best of our knowledge and belief, according to the information and explanations given to us by the Management and the records produced before us, no frauds were noticed or reported during the year.
- (xi) According to the information and explanation given to us, the managerial remuneration has been paid in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule-V to the Companies Act.
- (xii) The Company is not a Nidhi Company and hence this clause is not applicable.
- (xiii) In our opinion and according to the information and explanation given to us and based on our verification of the records and relevant documents, all transactions with related parties entered into by the Company are in compliance with section 188 of the Companies Act where applicable and the details of the same have been disclosed in the Ind AS financial statements etc. as required by the applicable accounting standards. The Provisions of Section 177 are not applicable to the Company.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence reporting under this clause is not applicable.
- (xv) According to the information and explanation given to us by the Management and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him and hence this clause is not applicable.
- (xvi) In our opinion and according to the information and explanation given to us the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

Place: Bangalore
Date : June 4, 2020



For GNANOBA & BHAT,
Chartered Accountants,
Firm Regn No. 000939S

✓ R. UMESH
Partner

M. No. 27892

UDIN: 20027892AAAAAE6815

**ANNEXURE - C TO AUDITOR'S REPORT REFERRED TO IN PARAGRAPH F OF OUR
REPORT OF EVEN DATE**

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

We have audited the internal financial controls over the financial reporting of M/s Arco Lab Private Limited ("the Company") as on 31st March 2020 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended as on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI).

These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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



Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

A company's internal financial control over financial reporting includes those policies and procedures that

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company.
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipt and expenditures of the company are being made only in accordance with authorisations of management and directors of the company.
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place: Bangalore
Date : June 4, 2020



For GNANOBA & BHAT,
Chartered Accountants,
Firm Regn No. 000939S

A handwritten signature in blue ink, appearing to read "R. Umesh". The signature is written over a horizontal line.

R. UMESH
Partner
M. No. 27892
UDIN: 20027892AAAAAE6815

ARCO LAB PRIVATE LIMITED
BALANCE SHEET AS AT MARCH 31, 2020

	Note No.	Amount in INR 31-Mar-20	Amount in INR 31-Mar-19
A ASSETS			
I Non-current assets			
(a) Property, plant and equipment	3	5,447,740	13,241
(b) Capital work-in-progress		4,718,050	160,000
(c) Right of Use Assets	4	17,184,943	-
(d) Other intangible assets	3	353,443	-
(e) Deferred tax assets (net)	5	13,572,019	33,405,400
(f) Income-tax assets (net)	6 (i)	5,903,086	-
(g) Other non current assets	7	6,482,013	10,000
Total non-current assets		53,661,294	33,588,641
II Current assets			
(a) Financial assets			
(i) Trade receivables	8	152,335,306	42,706,617
(ii) Cash and cash equivalents	9	16,996,612	7,453,037
(b) Loans receivable	10	3,182,132	4,489,261
(c) Other current assets	11	64,737,847	123,037,703
(d) Income tax assets (net)	6 (ii)	13,649,447	5,903,086
Total current assets		250,901,344	183,589,704
TOTAL ASSETS		304,562,638	217,178,345
B EQUITY AND LIABILITIES			
I Equity			
(a) Equity share capital	12	1,600,000	1,600,000
(b) Other equity	13	21,381,043	37,006,342
Total Equity		22,981,043	38,606,342
II Liabilities			
1 Non-current liabilities			
(a) Financial liabilities			
(i) Lease liability	4	11,926,118	-
(b) Provisions	14	118,547,463	76,432,391
Total non-current liabilities		130,473,581	76,432,391
2 Current liabilities			
(a) Financial liabilities			
(i) Lease liability	4	5,289,204	-
(ii) Trade payables			
- Total outstanding dues of micro enterprises and small enterprises	15	372,040	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	16	109,922,712	50,775,874
(b) Other current liabilities	17	28,741,056	28,325,860
(c) Provisions	18	6,783,002	23,037,878
Total current liabilities		151,108,014	102,139,612
TOTAL EQUITY AND LIABILITIES		304,562,638	217,178,345

See accompanying notes forming part of the Financial Statements

In terms of our report attached

For **Gnanoba & Bhat**

Chartered Accountants

Firm Registration No. 0009395



R Umesh

Partner

Mem. No. 27892

For and on behalf of Board of Directors



Nanditale Thimmapada Venkatesha
Director
DIN: 07405779



Shashidhar Koppa Lingaraj
Director
DIN: 07636554

Place: Bengaluru
Date : June 4, 2020



ARCO LAB PRIVATE LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED MARCH 31, 2020

	Note No.	Amount in INR 31-Mar-20	Amount in INR 31-Mar-19
1 Revenue from operations	19	669,578,471	163,830,300
2 Other income	20	68,798	-
3 Total Income		669,647,269	163,830,300
4 Expenses			
(a) Employee benefits expense	21	488,438,789	122,490,727
(b) Finance costs	22	274,983	250
(c) Depreciation and amortisation expenses	23	1,186,804	863
(d) Other expenses	24	145,839,193	26,018,602
Total		635,739,769	148,510,442
5 Profit before exceptional items and tax (3-4)		33,907,500	15,319,858
6 Exceptional items gain / (loss) (net)		-	-
7 Profit before tax (5+6)		33,907,500	15,319,858
8 Tax expense	25	-	-
(a) Current tax		17,430,371	8,516,000
(b) Deferred tax		21,851,955	(32,336,100)
9 Profit / (Loss) for the year (7-8)		(5,374,826)	39,139,958
10 Other Comprehensive Income			
A) (i) Items that will not be reclassified to profit or loss		(12,269,047)	(3,202,916)
(ii) Income tax relating to items that will not be reclassified to profit or loss		2,018,574	1,069,300
B) (i) Items that may be reclassified to profit or loss		-	-
(ii) Income tax relating to items that may be reclassified to profit or loss		-	-
Total Other comprehensive Income		(10,250,473)	(2,133,616)
11 Total Comprehensive Income for the period (9+10)		(15,625,299)	37,006,342
12 Earnings per share (of Rs.10/- each)			
- Basic	27	(33.59)	3,259.24
- Diluted	27	(33.59)	3,259.24

See accompanying notes forming part of the Financial Statements

In terms of our report attached

For **Gnanoba & Bhat**

Chartered Accountants

Firm Registration No. 0009395



R Umesh
Partner
Mem. No. 27892

For and on behalf of Board of Directors



Nanditale Thimmappa Venkatesha
Director
DIN: 07405779



Shashidhar Koppa Lingaraj
Director
DIN: 07636554

Place: Bengaluru
Date : June 4, 2020



ARCO LAB PRIVATE LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2020

Particulars	Amount in INR For the year ended 31 Mar-2020	Amount in INR For the year ended 31 Mar-2019
A. Cash flow from operating activities		
Net Profit / (Loss) before tax	33,907,500	15,319,858
Adjustments for:		
-Depreciation and amortisation	1,186,804	863
-Discounting of Deposits and Interest on unwinding of Discount	6,387	-
-Interest on lease liability	132,230	-
-Provision for gratuity & leave encashment	30,035,280	7,948,357
-Net unrealised exchange (gain) / loss	653,091	10,496
	32,013,791	7,959,716
Operating profit / (loss) before working capital changes	65,921,292	23,279,574
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(50,279,777)	(52,765,076)
Increase/(decrease) in trade and other payables	39,579,898	49,931,729
Net Change in working capital	(10,699,879)	(2,833,347)
	55,221,412	20,446,227
Cash generated from operations	55,221,412	20,446,227
Income taxes paid	(31,079,818)	(14,419,086)
Net cash flow from / (used in) operating activities (A)	24,141,594	6,027,141
B. Cash flow from investing activities		
Capital expenditure on property, plant and equipment including capital advance	(6,660,977)	(14,104)
Capital expenditure on intangible assets	(353,443)	(160,000)
Security Deposits paid	(6,488,400)	-
Net cash flow from / (used in) investing activities (B)	(13,502,820)	(174,104)
C. Cash flow from financing activities		
Lease payments	(1,095,200)	-
Proceeds from issue of share capital	-	1,600,000
Net cash flow from / (used in) financing activities (C)	(1,095,200)	1,600,000
Net increase / (decrease) in Cash and cash equivalents (A+B+C)	9,543,575	7,453,037
Cash and cash equivalents at the beginning of the period	7,453,037	-
Cash and cash equivalents at the end of the period	16,996,612	7,453,037
Reconciliation of cash and cash equivalents with the Balance Sheet:		
Cash and cash equivalents as per Balance Sheet (Refer Note 9)	16,996,612	7,453,037
Less: Bank balances not considered as Cash and cash equivalents as defined in IndAS 7 Statement of Cash Flow.	-	-
Net Cash and cash equivalents (as defined in IndAS 7 Statement of Cash Flow) included in Note 9	16,996,612	7,453,037
Cash and cash equivalents at the end of the period *	16,996,612	7,453,037
* Comprises:		
(a) Cash on hand	7,066	17,939
(b) Balances with banks - in current accounts	16,989,546	7,435,098
	16,996,612	7,453,037

See accompanying notes forming part of the Financial Statements

In terms of our report attached

For **Gnanoba & Bhat**
Chartered Accountants
Firm Registration No. 000939S


R Umesh
Partner
Mem. No. 27892

For and on behalf of Board of Directors


Nanditale Thimmappa Venkatesha
Director
DIN: 07405779


Shashidhar Koppa Lingaraj
Director
DIN: 07636554



Place: Bengaluru
Date : June 4, 2020

ARCO LAB PRIVATE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2020 AND MARCH 31, 2019

A) Equity share capital		Amount in INR
Particulars		
Balance as at April 1, 2018		-
Changes in equity share capital during the year		160,000
Balance as at March 31, 2019		160,000
Changes in equity share capital during the year		-
Balance as at March 31, 2020		160,000

Particulars	Amount in INR		
	Reserves and Surplus	Items of other comprehensive income	Total
	Retained earnings	Re-measurement of the defined benefit liabilities / (assets)	
Balance as at April 1, 2018	-	-	-
Profit / (Loss) for the period	39,139,958	-	39,139,958
Other comprehensive income for the period (net of tax)	-	(2,133,616)	(2,133,616)
Total comprehensive income	39,139,958	(2,133,616)	37,006,342
Balance as at March 31, 2019	39,139,958	(2,133,616)	37,006,342
Profit / (Loss) for the period	(5,374,826)	-	(5,374,826)
Other comprehensive income for the period (net of tax)	-	(10,250,473)	(10,250,473)
Total comprehensive income	(5,374,826)	(10,250,473)	(15,625,299)
Balance as at March 31, 2020	33,765,132	(12,384,089)	21,381,043

See accompanying notes forming part of the Financial Statements

In terms of our report attached

For **Gnanoba & Bhat**

Chartered Accountants

Firm Registration No. 000939S


R. Umesh
Partner

Mem. No. 27892

Place: Bengaluru
Date: June 4, 2020

For and on behalf of Board of Directors




Shashidhar Koppa Lingaraj
Director

DIN: 07636554


Nanditale Thimmappa Venkatesha
Director

DIN: 07405779



ARCO LAB PRIVATE LIMITED

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2020

1. COMPANY INFORMATION

Arco Lab Private Limited ("the Company") is headquartered in Bengaluru, India. The Company was incorporated on 20th August 2018 and is primarily a service provider providing outsourcing and business support services for all processes, sub-processes, transactions, activities and all other work performed in various industries with specific emphasis on pharmaceutical sector, within India and across the world. Presently, the Company provides these services to its group entities.

2. SIGNIFICANT ACCOUNTING POLICIES

A. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The Company is a wholly owned subsidiary of Strides Pharma Science Limited (formerly Strides Shasun Limited), a listed company which is required to prepare its financial statements in accordance with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Companies Act, 2013, read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. Accordingly, these financial statements are prepared in accordance with Ind AS under the historical cost convention on the accrual basis with revenues recognized and expenses accounted on their accrual, including provisions / adjustments for committed obligations and amounts determined as payable or receivable during the year. Costs and earnings in excess of billings for the year are recognized as Unbilled Revenue.

Accounting policies are consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

COVID-19

In March 2020, the World Health Organisation declared COVID-19 to be a pandemic. The actual impact of this global health pandemic may be different from that which has been estimated, as the COVID-19 situation evolves in India and globally. The Company has adopted measures to curb the spread of infection in order to protect the health of its employees and ensure business continuity with minimal disruption. The Company has considered available internal and external information while finalizing various estimates in relation to its financial statements upto the date of approval of the financial statements by the Board of Directors. The Company will continue to closely monitor any material changes to future economic conditions. However, the pandemic did not have any material impact on the financial statement for the year ended March 31, 2020.

B. CASH FLOW STATEMENTS

Cash flows are reported using the indirect method, whereby the profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities are segregated based on the available information.

C. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment's are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenditure relating to the acquisition such as cost of installation / erection and interest up to the date of commissioning of the asset as applicable.

Capital Work-In-Progress

Projects under which assets are not ready for its intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributed finance costs.

D. INTANGIBLE ASSETS

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. The cost of an intangible asset comprises its purchase price including duties and taxes (other than those refundable



subsequently from the authorities), and directly attributable expenditure incurred for making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset is recognized as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefit in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case, such expenditure is added to the cost of the asset.

E. LEASES

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined based on the lease period. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised in statement of profit and loss over the lease period.

F. DEPRECIATION

Depreciation on Property, Plant and Equipment, provided in the accounts on the basis of useful lives as assessed by the Management under the Straight Line Method basis is as prescribed under Schedule II of the Companies Act, 2013. Accordingly, the life of the assets is determined as under.

Sl. No.	Asset	Life as Assets (in years)
1	Office Equipment	5 years
2	Computers	3 years
3	Servers & Networks	6 years
4	Software Licenses	5 years

G. REVENUE RECOGNITION

Revenue from contracts with customers:

The Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. A 5-step approach is used to recognise revenue as below:

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

Step 2: Identify the performance obligation in contract

Step 3: Determine the transaction price

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

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



Sale of services:

Revenue from services rendered, is recognised in the statement of profit and loss as the underlying services are performed. Upfront payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed. Costs and earnings in excess of billings for the year are recognized as Unbilled Revenue.

H. TAXATION

The current charge for income tax (if any) is calculated in accordance with the relevant tax regulations applicable to the Company.

Minimum alternate tax (if any) paid in accordance with the tax laws, which gives future economic benefits in the nature of adjustments to the future income tax liability is considered an asset if there is convincing evidence that the Company will pay normal tax in future.

Deferred tax assets and liabilities (if any) are recognized for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per financial statements. Deferred tax assets and liabilities are measured as per the tax rates / laws that have been enacted or substantively enacted by the Balance Sheet Date.

I. FOREIGN CURRENCY TRANSACTIONS:

Transactions denominated in Foreign Currencies are recorded using the exchange rates prevailing on the date of transaction. The difference if any, on actual payment/ realization is charged off to revenue. Amount receivable / payable as at the close of the year is accounted at the prevailing rates and the difference if any, on receipt / while making actual payment due to fluctuation in the rate of exchange is charged to revenue in that year.

J. PROVISIONS:

A provision is recognized when the enterprise has a present obligation as a result of past event(s) which may result in a probable outflow of resources to settle the obligation and in respect of which a reasonable estimate can be made. Provisions are not discounted to their present value and are determined on the basis of the best estimate of the resources required to settle the obligation at the balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

K. IMPAIRMENT OF ASSETS

An asset is treated as impaired if the current carrying cost of the same exceeds its recoverable value. An impairment loss is charged to the Profit & Loss account in the year in which an asset is identified as impaired. The impairment loss recognized in the prior accounting periods is reversed if there is any change in the estimate of recoverable amount. The recoverable amount is the greater of the net selling price or the value in use.

L. CONTINGENCIES

Contingent liabilities are not recognized and are shown by way of notes to the financial statements.

M. EARNINGS PER SHARE

Earnings per share is computed by dividing the profit / (loss) after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to dilutive potential equity shares, by the weighted average number of equity shares considered for deriving the basic earnings per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share and are deemed to be converted at the beginning of the period, unless they have been issued at a later date.

N. EMPLOYEE BENEFITS

- i. Retirement benefits in the form of Provident Fund and Pension Schemes are charged on an accrual basis to the Profit and Loss Account of the year when the contributions to the respective funds are due.



There are no other obligations other than the contribution payable to the Regional Provident Fund Commissioner.

- ii. Gratuity liability is a defined benefit obligation and is provided based on an actuarial valuation using the Projected Unit Credit Method, with the actuarial valuation being carried out at each balance sheet date. The liability is funded through a Group Gratuity Trust with Life Insurance Corporation of India.
- iii. Provision for Leave Encashment has been made based on an actuarial valuation carried out at each balance sheet date. The liability is not funded.

For and on behalf of the Board of Directors

Place: Bengaluru
Date : June 04, 2020



Nanditale Thimmappa Venkatesha
Director
DIN: 07405779



Shashidhar Koppa Lingaraj
Director
DIN: 07636554



ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

Note : 3

Property, plant and equipment

SI No	Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As on 01.04.2019	Additions during the period	Deletions during the period	As on 31.03.2020	As on 01.04.2019	For the the period	Deletions during the period	Up to 31.03.2020	As on 31.03.2019	As on 31.03.2020
1	Office equipments	14,104	577,849	-	591,953	863	59,347	-	60,210	13,241	531,743
2	Computers	-	1,876,949	-	1,876,949	-	86,127	-	86,127	-	1,790,822
3	Servers & Networks	-	3,126,599	-	3,126,599	-	1,424	-	1,424	-	3,125,175
	Total	14,104	5,581,397	-	5,595,501	863	146,898	-	147,761	13,241	5,447,740

Other Intangible assets

SI No	Description	GROSS BLOCK			AMORTIZATION			NET BLOCK			
		As on 01.04.2019	Additions during the period	Deletions during the period	As on 31.03.2020	As on 01.04.2019	For the the period	Deletions during the period	Up to 31.03.2020	As on 31.03.2019	As on 31.03.2020
1	Software Licences	-	400,000	-	400,000	-	46,557	-	46,557	-	353,443
	Total	-	400,000	-	400,000	-	46,557	-	46,557	-	353,443
	Grand Total	14,104	5,981,397	-	5,995,501	863	193,455	-	194,318	13,241	5,801,183
	Previous Year	-	14,104	-	14,104	-	863	-	863	-	13,241



ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

4. Leases

(i) Amounts Recognised in the Balance Sheet
Right-of-Use Asset

Particulars	Gross block			Accumulated depreciation / amortisations			Net block	
	As on 01-Apr-19	Additions	Deletion	As on 01-Apr-19	Depreciation for the year	Deletion	As on 31-Mar-20	As on 31-Mar-19
Buildings	-	18,178,292	-	-	993,349	-	17,184,943	-
Total	-	18,178,292	-	-	993,349	-	17,184,943	-
<i>Previous year</i>	-	-	-	-	-	-	-	-

Lease Liability Particulars	Amount in INR	
	31-Mar-20	31-Mar-19
Current	5,289,204	-
Non- Current	11,926,118	-
	17,215,322	-

(ii) Amounts Recognised in the statement of Profit or Loss

Particulars	Amount in INR
	31-Mar-20
Depreciation Charge of Right-Of-Use asset Buildings	993,349
	993,349
Interest Expense (Included in Finance Cost)	132,230

(iii) Total Cash outflow

Particulars	Amount in INR
	31-Mar-20
Buildings	1,095,200
	1,095,200



ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

5. Deferred tax balances

Particulars	Amount in INR	
	As at 31-Mar-20	As at 31-Mar-19
Deferred tax assets	13,572,019	33,405,400
Deferred tax liabilities	-	-
Deferred tax assets/ liabilities (net)	13,572,019	33,405,400

2019-2020	Amount in INR			
	Opening balance	Recognised in statement of profit and loss	Recognised in other comprehensive income	Closing balance
Deferred tax (liabilities)/assets in relation to:				
Provision for employee benefits	33,207,100	(22,367,808)	2,018,574	12,857,866
Others	198,300	515,853	-	714,153
Total	33,405,400	(21,851,955)	2,018,574	13,572,019

2018-2019	Amount in INR			
	Opening balance	Recognised in statement of profit and loss	Recognised in other comprehensive income	Closing balance
Deferred tax (liabilities)/assets in relation to:				
Provision for employee benefits	-	32,137,800	1,069,300	33,207,100
Others	-	198,300	-	198,300
Total	-	32,336,100	1,069,300	33,405,400



ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

Note
No.

6 **Income tax assets (net)**
The income tax assets consists of the following:

Particulars	Amount in INR	
	31-Mar-20	31-Mar-19
Advance tax paid (net of provision)	5,903,086	-
Total	5,903,086	-

Particulars	Amount in INR	
	31-Mar-20	31-Mar-19
Advance tax paid (net of provision)	13,649,447	5,903,086
Total	13,649,447	5,903,086

Particulars	Amount in INR	
	31-Mar-20	31-Mar-19
Unsecured, considered good:		
- Security deposits	5,183,824	10,000
- Prepaid expenses	1,298,189	-
Total	6,482,013	10,000

Particulars	Amount in INR	
	31-Mar-20	31-Mar-19
Considered good - Unsecured	152,335,306	42,706,617
	152,335,306	42,706,617
Less: Allowances for doubtful trade receivable	-	-
Total	152,335,306	42,706,617
Note: Dues from Related Parties (Refer Note No.28)	152,335,306	42,706,617

Particulars	Amount in INR	
	31-Mar-20	31-Mar-19
Cash on hand	7,066	17,939
Balance with banks:		
- In current account	16,989,546	7,435,098
Total	16,996,612	7,453,037

Particulars	Amount in INR	
	31-Mar-20	31-Mar-19
Unsecured, considered good		
Loans to employees	3,182,132	4,489,261
Total	3,182,132	4,489,261

Particulars	Amount in INR	
	31-Mar-20	31-Mar-19
Unsecured, considered good		
Receivable from related parties (Refer Note No.28)	59,376,977	108,962,634
Unbilled Revenue	-	13,061,519
Advances to suppliers	2,631,737	67,860
Prepaid expenses	1,820,700	-
Advances to employees	908,433	209,846
Balances with government authorities:		
- GST receivable	-	735,844
Total	64,737,847	123,037,703

Particulars	Amount in INR	
	31-Mar-20	31-Mar-19
Authorised		
250,000 Equity shares of Rs. 10/- each with voting rights (March 31st 2019: 250,000 Equity shares of INR 10 each)	2,500,000	2,500,000
Total	2,500,000	2,500,000
Issued, subscribed and fully paid-up		
160,000 Equity shares of Rs.10/- each with voting rights (March 31st 2019: 160,000 Equity shares of INR 10 each)	1,600,000	1,600,000
Total	1,600,000	1,600,000



ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

Note
No.

(a) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	31-Mar-20		31-Mar-19	
	No. of Shares	Amount in INR	No. of Shares	Amount in INR
Equity share of Rs.10/- each				
Opening balance	160,000	1,600,000	-	-
Issued during the year	-	-	160,000	1,600,000
Closing balance	160,000	1,600,000	160,000	1,600,000

(b) Detail of the rights, preferences and restrictions attaching to each class of shares outstanding Equity shares of Rs. 10/- each:

The Company has only one class of equity shares, having a par value of Rs.10/-. The holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to approval by the shareholders at the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution to all other parties concerned. The distribution will be in proportion to number of equity shares held by the shareholders.

(c) Shares held by holding company:

Particulars	31-Mar-20		31-Mar-19	
	No. of Shares	% Of shares	No. of Shares	% Of shares
Strides Pharma Science Limited	160,000	100%	160,000	100%
Total	160,000	100%	160,000	100%

(d) Details of equity shares held by each shareholder holding more than 5% of equity shares:

Particulars	31-Mar-20		31-Mar-19	
	No. of Shares	% Of shares	No. of Shares	% Of shares
Strides Pharma Science Limited	160,000	100%	160,000	100%
Total	160,000	100%	160,000	100%

Note: Of 160,000 shares, 10 shares are held by Shashidhar K.L as nominee of Strides Pharma Science Limited.

13 Other Equity

Particulars	Amount in INR	
	31-Mar-20	31-Mar-19
Surplus in statement of profit and loss		
Opening balance	39,139,958	-
Add: Profit / (Loss) for the year	(5,374,826)	39,139,958
Closing balance	33,765,132	39,139,958
Items of other comprehensive income		
Opening balance	(2,133,616)	-
Add / (Less) : Other comprehensive income for the year	(12,269,047)	(3,202,916)
Add / (Less) : Tax impact on above	2,018,574	1,069,300
Closing balance	(12,384,089)	(2,133,616)
Total	21,381,043	37,006,342

14 Non current provisions

Particulars	Amount in INR	
	31-Mar-20	31-Mar-19
Provisions:		
- Gratuity (Refer Note No.26)	74,078,824	51,061,918
- Compensated absences	44,468,639	25,370,473
Total	118,547,463	76,432,391

15 Total outstanding dues of micro & small enterprises

Particulars	Amount in INR	
	31-Mar-20	31-Mar-19
Trade payables:		
- Other than acceptances	372,040	-
Total	372,040	-



ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

Note
No.

Note: (i) Disclosure required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

Particulars	31-Mar-20	31-Mar-19
(i) Principal amount remaining unpaid as at the end of the accounting year	372,040	-
(ii) Interest due on the above remaining unpaid as at the end of the accounting year	19,058	-
(iii) The amount of interest paid along with the amounts of the payment made beyond the appointed day	-	-
(iv) The amount of interest due and payable for the period of delay in making payment but without adding the interest specified under the MSMED Act, 2006;	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	19,058	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

		Amount in INR	
16 Trade payables	Particulars	31-Mar-20	31-Mar-19
	Total outstanding dues of creditors other than micro & small enterprises		
	- Other than acceptances	80,783,826	38,721,452
	- Dues to related parties (Refer Note No.28)	29,138,886	12,054,422
	Total	109,922,712	50,775,874
		Amount in INR	
17 Other Current liabilities	Particulars	31-Mar-20	31-Mar-19
	Other payables:		
	- Statutory remittances	25,216,028	28,325,860
	- Payables on purchase of fixed assets	3,525,028	-
	Total	28,741,056	28,325,860
		Amount in INR	
18 Current provisions	Particulars	31-Mar-20	31-Mar-19
	Provisions:		
	- Gratuity (Refer Note No.26)	174,759	10,950,058
	- Compensated absences	6,608,243	12,087,820
	Total	6,783,002	23,037,878



ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

Note
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		Amount in INR	
		31-Mar-20	31-Mar-19
19	Revenue from operations		
	Particulars		
	Support service income (Refer Note No.28 for Related Parties)	669,578,471	163,830,300
	Total	669,578,471	163,830,300

		Amount in INR	
		31-Mar-20	31-Mar-19
20	Other income		
	Particulars		
	Interest Income	68,798	-
	Total	68,798	-

		Amount in INR	
		31-Mar-20	31-Mar-19
21	Employee benefits expenses		
	Particulars		
	Salaries and wages	441,142,980	111,605,626
	Contributions to provident and other funds (Refer Note No.26)	24,053,940	6,059,896
	Gratuity (Refer Note No.26)	10,388,541	3,027,729
	Share based compensation expense (Refer Note No.30)	1,657,610	545,184
	Staff welfare expenses	11,195,718	1,252,292
	Total	488,438,789	122,490,727

		Amount in INR	
		31-Mar-20	31-Mar-19
22	Finance costs		
	Particulars		
	Interest expense on:		
	- Interest on leases	132,230	-
	- Interest others	128,625	250
	- Bank charges and commission	14,128	-
	Total	274,983	250

		Amount in INR	
		31-Mar-20	31-Mar-19
23	Depreciation and amortisation expenses		
	Particulars		
	Depreciation on property, plant and equipment	146,898	863
	Depreciation on right of use asset	993,349	-
	Depreciation on intangible assets	46,557	-
	Total	1,186,804	863

		Amount in INR	
		31-Mar-20	31-Mar-19
24	Other Expenses		
	Particulars		
	Rent	30,941,268	9,378,261
	Power charges	-	1,452,030
	Repairs and maintenances:		
	- Buildings	13,804	-
	- Machinery	3,466,529	-
	- Others	6,510,329	1,060,428
	Insurance	9,897	-
	Rates and taxes	285,697	155,747
	Subcontracting charges	26,426,109	6,953,987
	Recruitment expenses	18,706,715	79,182
	Security charges	6,141,815	1,679,245
	Legal and professional fees	35,933,135	3,715,088
	Communication expenses	2,068,811	722,466
	Travelling and conveyance	7,440,562	135,718
	Printing and stationery	1,739,153	303,236
	Payments to auditors (refer note below)	690,000	350,000
	Net loss on foreign currency transactions	291,585	10,496
	Membership fees	2,575,626	-
	Miscellaneous expenses	2,598,158	22,718
	Total	145,839,193	26,018,602

Note: Payments to auditors comprises (net of GST credit):

		Amount in INR	
		31-Mar-20	31-Mar-19
	Particulars		
	Statutory Audit Fee	600,000	350,000
	Taxation matters	90,000	-
	Total	690,000	350,000



ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

Note
No.

25 Tax expenses	Amount in INR	
	31-Mar-20	31-Mar-19
Particulars		
Current Tax	17,430,371	8,516,000
Deferred tax	21,851,955	(32,336,100)
Total	39,282,326	(23,820,100)

The reconciliation of estimated income tax expenses at income tax rate to income tax expense reported in statement of profit and loss is as follows:

Particulars	Amount in INR	
	31-Mar-20	31-Mar-19
Profit before income taxes	33,907,500	15,319,858
Indian statutory income tax rate	25.17%	33.38%
Expected income tax expense	8,533,840	5,114,300
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expenses:		
Effect of expenses that are not deductible in determining taxable profit	8,896,531	3,401,700
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	21,851,955	(32,336,100)
Total Income tax expense	39,282,326	(23,820,100)



ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

(Amounts in INR unless otherwise stated)

26. Employee benefit plans

26.1 Defined contribution plans

The employees of the Company are members of a state-managed retirement benefit plan operated by the government. The Company is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions.

During the period, the Company has recognized the following amount in the Profit and Loss Account-

Particulars	Amount in INR	
	31-Mar-20	31-Mar-19
Employers' Contribution to Provident Fund	24,041,540	6,052,496
Employers' Contribution to Employee state insurance scheme	85,188	47,405

26.2 Defined benefit plans

The Company provides for gratuity for employees as per the Payment of Gratuity Act, 1972. Employees who are in continuous service of 5 years are eligible for gratuity under this Act. The amount of gratuity payable on termination / retirement is the last drawn basic salary per month of the employee proportionate for a period of 15 days per completed year of service. During the year, the Company has constituted a Group Gratuity Trust and the above liability is funded through the Group Gratuity Trust with Life Insurance Corporation of India.

These plans typically expose the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows.

	Valuation as at	
	31-Mar-20	31-Mar-19
Discount rate(s)	6.55%	7.05%
Expected rate(s) of salary increase	10.00%	10.00%

Amounts recognised in statement of profit and loss in respect of these defined benefit plans are as follows:

	31-Mar-20	31-Mar-19
Service cost:		
Current service cost	6,412,686	1,955,412
Net interest expense	3,975,855	1,072,317
Components of defined benefit costs recognised in profit or loss	10,388,541	3,027,729

Remeasurement on the net defined benefit liability:

Return on plan assets (excluding amounts included in net interest expense)	-	-
Actuarial (gains) / losses arising from changes in demographic assumptions	3,480,041	-
Actuarial (gains) / losses arising from changes in financial assumptions	2,568,852	-
Actuarial (gains) / losses arising from experience adjustments	6,220,154	3,202,916
Components of defined benefit costs recognised in other comprehensive income	12,269,047	3,202,916
Total	22,657,588	6,230,645

The current service cost and the net interest expense for the year are included in the 'Employee benefits expense' line item in the statement of profit and loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the Balance Sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

	As At 31-Mar-20	As At 31-Mar-19
Present value of defined benefit obligation	84,463,583	62,011,976
Fair value of plan assets	10,210,000	-
Funded status	The defined benefit plan is funded.	The defined benefit plan is not funded.
Net liability arising from defined benefit obligation	74,253,583	62,011,976



ARCO LAB PRIVATE LIMITED
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(Amounts in INR unless otherwise stated)

Movements in the present value of the defined benefit obligation are as follows:

	Year ended 31-Mar-20	Year ended 31-Mar-19
Opening defined benefit obligation	62,011,976	-
Current service cost	6,412,686	1,955,412
Interest cost	3,985,855	1,072,317
Acquisition / Divestiture	1,207,000	56,437,727
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in demographic assumptions	3,480,041	-
Actuarial gains and losses arising from changes in financial assumptions	2,568,852	-
Actuarial gains and losses arising from experience adjustments	6,220,154	3,202,916
Benefits paid	(1,422,981)	(656,396)
Closing defined benefit obligation	84,463,583	62,011,976

Defined Benefit Obligation

01-Apr-19
to
31-Mar-20

01-Apr-18
to
31-Mar-19

Discount rate

a. Discount rate - 100 basis points	90,076,410	64,799,729
b. Discount rate + 100 basis points	79,468,205	59,452,420

Salary increase rate

a. Rate - 100 basis points	80,615,965	59,980,270
b. Rate + 100 basis points	88,569,201	64,126,802

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

Expected future Cash outflows towards the plan are as follows-

Financial Year	Amount in INR
2020-21	10,384,759
2021-22	8,560,242
2022-23	9,097,078
2023-24	8,668,392
2024-25	8,286,431
2025-26 to 2029-30	44,621,610

26.3 Actuarial Assumptions for Long-term Compensated Absence

Actuarial Assumptions	Year ended 31-Mar-20	Year ended 31-Mar-19
Discount Rate	6.55%	7.05%
Salary escalation Rate	10.00%	10.00%
Attrition Rate	-	-
Charge In the Profit and Loss account - INR	25,316,680	4,786,046
Liability at the year end - INR	51,076,882	31,788,352

Note: The estimates and rate of escalation in salary considered in actuarial valuation take into consideration inflation, seniority, promotion and other relevant factors such as employment market conditions. These figure are as certified by an actuary.



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27. Earnings per share

Particulars	31-Mar-20	31-Mar-19
Net profit after tax	(53,74,826)	3,91,39,958
Weighted average number of equity shares (No.s)	1,60,000	12,009
Earnings/(Loss) per share	(33.59)	3,259.24
Nominal value of equity shares	10	10

28. Related party disclosures

Party where the control exists	Name of the Related party
Holding Company	Strides Pharma Science Limited
Fellow Subsidiaries	Arrow Pharmaceuticals Pty Ltd (upto 10th July 2019)
	Strides Emerging Markets Limited
	Strides Pharma Asia Pte Ltd
	Strides Pharma Cyprus Limited
	Strides Pharma Global Pte Limited
	Strides Pharma Inc
	Trinity Pharma Pty Limited
	Universal Corporation Limited
	Vvimed Life Sciences Private Limited
	Stelis BioPharma Private Limited
Associate of Holding Company	Strides Consumer LLC Strides Consumer Private Limited Strides Global Consumer Healthcare Limited
Enterprise owned / significantly influenced by KMP of Holding Company	Naari Pharma Private Limited
	Tenshi Kaizen Private Limited
	Solara Active Pharma Sciences Limited
	Strides Chemicals Private Limited (upto 1st February 2020)
	Sovizen Life Sciences Private Limited
	Agnus Capital LLP
	Tenshi Kaizen USA Inc
	Aurore Life Sciences Private Limited
	Tenshi Life Care Private Limited
	Tenshi Life Sciences Private Limited
Key Managerial Personnel	Shashidhar KL, Director
	Dr.Sathyarayanan P, Director
	Venkatesha NT, Director

Amount in INR

Sl. No.	Nature of Transaction		Holding Company	Fellow Subsidiaries	Associate of Holding Company	Enterprise owned / significantly influenced by KMP of Holding Company
Related party transactions during the year ended March 31st						
1	Investment in equity	2019-20	-	-	-	-
		2018-19	16,00,000	-	-	-
2	Support service income	2019-20	44,39,37,242	4,11,72,487	2,89,85,194	16,85,45,066
		2018-19	9,65,15,445	85,09,530	-	4,57,43,807
3	Rental expenses	2019-20	3,07,35,671	-	-	-
		2018-19	93,78,261	-	-	-
4	Loans & Advances - Taken / (Repaid) (net)	2019-20	-	-	-	-
		2018-19	5,00,000	-	-	-
5	Reimbursement of Expenses incurred on behalf of	2019-20	-	-	2,25,000	2,513
		2018-19	2,93,370	5,20,737	-	16,08,444
6	Reimbursement for Expenses incurred by	2019-20	3,95,78,639	-	-	2,40,000
		2018-19	39,53,022	-	-	3,74,481
7	Employee related liability transfer by	2019-20	31,47,000	-	-	1,00,000
		2018-19	8,13,19,442	-	-	3,17,35,306
8	Managerial remuneration to KMP Rs. 27.36 Mn (2019: INR 9.43 Mn)					
Related party balances as at March 31st						
9	a) Trade payable	2020	2,91,38,886	-	-	-
		2019	1,20,54,422	-	-	-
	b) Trade receivable	2020	8,33,91,751	1,59,94,644	1,61,07,340	3,68,41,571
		2019	2,21,73,359	86,64,060	-	1,18,69,198
	c) Other receivable	2020	3,39,40,971	-	2,25,000	2,52,11,006
		2019	7,58,04,458	5,10,241	2,98,846	3,23,49,089



ARCO LAB PRIVATE LIMITED
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29. Foreign Currency Exposure

Foreign Currency Exposure as at March 31, 2020 that have not been hedged by a derivative instrument or otherwise:

Particulars	31-Mar-20		31-Mar-19	
	Amount in Foreign Currency	Amount in INR	Amount in Foreign Currency	Amount in INR
Receivables -USD	177,343	13,359,770	89,464	6,189,101
Receivables -AUD	60,000	2,773,020	17,054	836,942
Receivables -EUR	6,041	501,916	-	-
Receivables -SGD	-	-	392	19,999
Total		16,634,706		7,046,042
Payables- USD	66,810	5,034,334	-	-
Payables- EURO	30,665	2,549,396	-	-
Total		7,583,730		-

30. The ESOP titled "Strides Shasun ESOP 2016" (ESOP 2016) was approved by the shareholders of Holding Company on April 21, 2016. 3,000,000 options are covered under the Plan which are convertible into equal number of equity shares of the Holding Company. The vesting period of these options range over a period of three years. The options must be exercised within a period of one year from the date of vesting. Holding Company granted 21,500 options to eligible employees of the company under the above scheme. During the year, Rs.1,657,610 (2019: Rs 545,184) has been debited to employee benefits expenses towards ESOP cost.

31. Previous year figures have been regrouped and reclassified where necessary to conform to current year figures.

For and on behalf of Board of Directors


Nanditale Thimmappa Venkatesha
Director
DIN: 07405779


Shashidhar Koppa Lingaraj
Director
DIN: 07636554



Place: Bengaluru
Date : June 4, 2020

