

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, 2019, 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").

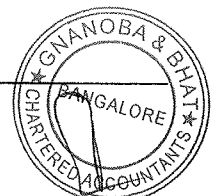
In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting 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, 2019, the profit 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.

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.

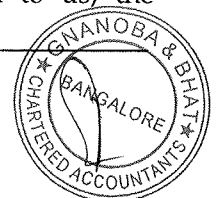
Auditor's Responsibilities for the Audit of the Financial Statements

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

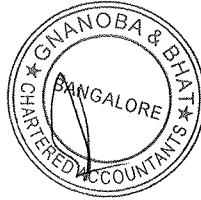
1. As required by the Companies (Auditor's Report) Order, 2016 ("the order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the **Annexure - B** a statement on the matters specified in paragraphs 3 and 4 of the order.
2. As required by Section 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, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 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 : July 19, 2019**



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

**R. UMESH
Partner
M. No. 27892
UDIN: 19027892AAAAAL1018**

ANNEXURE-A TO THE AUDITOR'S REPORT

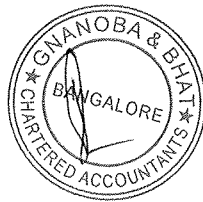
As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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 : July 19, 2019



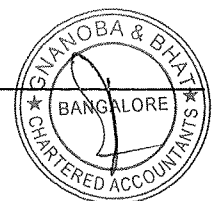
For GNANOBA & BHAT,
Chartered Accountants,
Firm Regn No. 000939S

A handwritten signature in black ink, appearing to read "R. Umesh".

R. UMESH
Partner
M. No. 27892
UDIN: 19027892AAAAAL1018

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 clause 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 2019, 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 : July 19, 2019



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

R. UMESH
Partner
M. No. 27892
UDIN: 19027892AAAAAL1018

**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 2019 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).

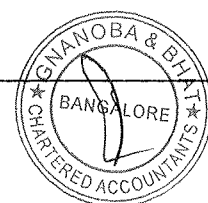
These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and 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, 2019, 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 : July 19, 2019



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

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

R. UMESH
Partner
M. No. 27892
UDIN: 19027892AAAAAL1018

ARCO LAB PRIVATE LIMITED
BALANCE SHEET AS AT MARCH 31, 2019

	Note No.	Amount in INR 31-Mar-19
A ASSETS		
I Non-current assets		
(a) Property, plant and equipment	3	13,241
(b) Capital work-in-progress		160,000
(c) Deferred tax assets (net)	4	33,405,400
(d) Other non current assets	5	10,000
Total non-current assets		33,588,641
II Current assets		
(a) Financial assets		
(i) Trade receivables	6	42,706,617
(ii) Cash and cash equivalents	7	7,453,037
(b) Loans receivable	8	4,489,261
(c) Other current assets	9	123,037,703
(d) Current tax assets (net)	10	5,903,086
Total current assets		183,589,704
TOTAL ASSETS		217,178,345
B EQUITY AND LIABILITIES		
I Equity		
(a) Equity share capital	11	1,600,000
(b) Other equity	12	37,006,342
Total Equity		38,606,342
II Liabilities		
1 Non-current liabilities		
(a) Provisions	13	76,432,391
Total non-current liabilities		76,432,391
2 Current liabilities		
(a) Financial liabilities		
(i) Trade payables		
- Total outstanding dues of micro enterprises and small enterprises	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	14	50,775,874
(b) Other current liabilities	15	28,325,860
(c) Provisions	16	23,037,878
Total current liabilities		102,139,612
TOTAL EQUITY AND LIABILITIES		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. 000939S



R Umesh

Partner

Mem. No. 27892

UDIN: 19027892AAAAAL1018

For and on behalf of Board of Directors



Nanditale Thimmappa Venkatesha

Director

DIN: 07405779



Shashidhar Koppa Lingaraj

Director

DIN: 07636554

Place: Bengaluru
Date : 19 July 2019



ARCO LAB PRIVATE LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD ENDED MARCH 31, 2019

		Amount in INR
	Note No.	31-Mar-19
1 Revenue from operations	17	163,830,300
Total Income		163,830,300
2 Expenses		
(a) Employee benefits expense	18	122,569,909
(b) Finance costs	19	250
(c) Depreciation and amortisation expenses	20	863
(d) Other expenses	21	25,939,420
Total		148,510,442
3 Profit before exceptional items and tax (1-2)		15,319,858
4 Exceptional items gain / (loss) (net)		-
5 Profit before tax (3+4)		15,319,858
6 Tax expense	22	
(a) Current tax		8,516,000
(b) Deferred tax		(32,336,100)
7 Profit / (Loss) for the year (5-6)		39,139,958
8 Other Comprehensive Income		
A (i) Items that will not be reclassified to profit or loss		(3,202,916)
(ii) Income tax relating to items that will not be reclassified to profit or loss		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		(2,133,616)
9 Total Comprehensive Income for the period (7+8)		37,006,342
10 Earnings per share (of Rs.10/- each)		
- Basic	24	3,259
- Diluted	24	3,259

See accompanying notes forming part of the Financial Statements

In terms of our report attached

For **Gnanoba & Bhat**

Chartered Accountants

Firm Registration no. 000939S

For and on behalf of Board of Directors



R Umesh

Partner

Mem. No. 27892

UDIN: 19027892AAAAAL1018



Nanditale Thimmappa Venkatesha

Director

DIN: 07405779



Shashidhar Koppa Lingaraj

Director

DIN: 07636554

Place: Bengaluru

Date : 19 July 2019



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

A) Equity share capital		Amount in INR	
Particulars			
Opening Balance		-	
Changes in equity share capital during the period		1,600,000	
Balance as at March 31, 2019		1,600,000	
B) Other equity		Amount in INR	
Particulars	Reserves and Surplus	Items of other comprehensive income Re-measurement of the defined benefit liabilities / (assets)	Total
	Retained earnings		
Opening Balance	-	-	-
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

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
UDIN: 19027892AAAAAL1018

Place: Bengaluru
Date : 19 July 2019

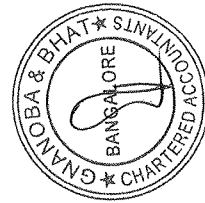
For and on behalf of Board of Directors


Nanditale Thimmappa Venkatesha
Director

DIN: 07405779


Shashidhar Koppa Lingaraj
Director

DIN: 07636554



ARCO LAB PRIVATE LIMITED
STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED MARCH 31, 2019

Particulars	Amount in INR For the period ended 31 March, 2019
A. Cash flow from operating activities	
Net Profit / (Loss) before tax	15,319,858
Adjustments for:	
-Depreciation and amortisation	863
-Provision for gratuity & leave encashment	7,948,357
-Net unrealised exchange (gain) / loss	10,496
	7,959,716
Operating profit / (loss) before working capital changes	23,279,574
Changes in working capital:	
(Increase)/decrease in trade and other receivables	(52,765,076)
Increase/(decrease) in trade and other payables	49,931,729
Net Change in working capital	(2,833,347)
	20,446,227
Cash generated from operations	20,446,227
Income taxes paid	(14,419,086)
Net cash flow from / (used in) operating activities (A)	6,027,141
B. Cash flow from investing activities	
Capital expenditure on property, plant and equipment including capital advance	(14,104)
Capital expenditure on intangible assets	(160,000)
Net cash flow from / (used in) investing activities (B)	(174,104)
C. Cash flow from financing activities	
Proceeds from issue of share capital	1,600,000
Net cash flow from / (used in) financing activities (C)	1,600,000
Net increase / (decrease) in Cash and cash equivalents (A+B+C)	7,453,037
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	7,453,037
Reconciliation of cash and cash equivalents with the Balance Sheet:	
Cash and cash equivalents as per Balance Sheet (Refer Note 7)	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 7	7,453,037
Cash and cash equivalents at the end of the period *	7,453,037
* Comprises:	
(a) Cash on hand	17,939
(b) Balances with banks - in current accounts	7,435,098
(c) Balances with banks - in fixed deposits	-
	7,453,037

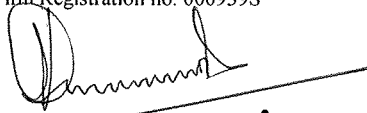
See accompanying notes forming part of the Financial Statements

In terms of our report attached

For Gnanoba & Bhat

Chartered Accountants

Firm Registration no. 000939S



R Umesh

Partner

Mem. No. 27892

UDIN: 19027892AAAAAL1018

For and on behalf of Board of Directors



Nanditale Ghimappa Venkatesha
Director
DIN: 07405779



Shashidhar Koppa Lingaraj
Director
DIN: 07636554

Place: Bengaluru

Date : 19 July 2019



ARCO LAB PRIVATE LIMITED

NOTES ON FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST MARCH 2019

1. COMPANY INFORMATION

Arco Lab Private Limited (“the Company”) is headquartered in Bengaluru, India. The Company 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. The Company has been incorporated on 20th August 2018 and financial year ended March 31, 2019 is the first year of operations.

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.

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

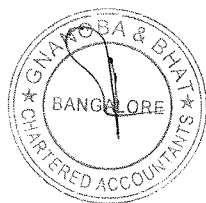
Property, Plant and Equipment's are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenditure relating to the acquisition such as cost of installation / erection and interest up to the date of commissioning of the asset as applicable.

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.



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E. 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

F. 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.

G. 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.

H. FOREIGN CURRENCY TRANSACTIONS:

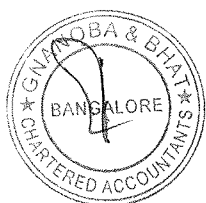
Transactions denominated in Foreign Currencies are recorded using the exchange rates prevailing on the date of transaction. The difference if any, on actual payment/ realization is charged off to revenue. Amount receivable / payable as at the close of the year is accounted at the prevailing rates and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

I. 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.

J. 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.



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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.

K. CONTINGENCIES

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

L. 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.

M. 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 not funded.
- 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

**Place: Bengaluru
Date : 19 July 2019**


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

Sl No	Description	GROSS BLOCK		As on 31.03.2019	For the period	DEPRECIATION		Up to 31.03.2019	NET BLOCK As on 31.03.2019
		Additions during the period	Deletions during the period			Deletions during the period			
1	Office equipments	14,104	-	14,104	863	-	863	13,241	
	Total	14,104	-	14,104	863	-	863	13,241	

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ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

4. Deferred tax balances

Particulars	Amount in INR As at 31-Mar-19
Deferred tax assets	33,207,100
Deferred tax liabilities	-
Deferred tax assets/ liabilities (net)	33,207,100

2018-2019	Opening balance	Recognised in statement of profit and loss	Recognised in other comprehensive income	Amount in INR 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

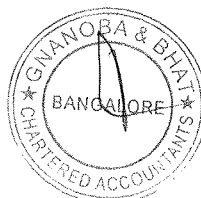


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ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

Note
No.

5	Other non current assets	Amount in INR
	Particulars	31-Mar-19
	Unsecured, considered good:	
	- Security deposits	10,000
	Total	10,000
6	Trade receivables	Amount in INR
	Particulars	31-Mar-19
	a) Considered good - Secured	-
	b) Considered good - Unsecured	42,706,617
	c) Which have significant increase in Credit Risk	-
	d) Credit impaired	-
		42,706,617
	Less: Allowances for doubtful trade receivable	-
	Total	42,706,617
	Note: Dues from Related Parties (Refer Note No.25)	42,706,617
7	Cash and cash equivalents	Amount in INR
	Particulars	31-Mar-19
	Cash on hand	17,939
	Balance with banks:	
	- In current account	7,435,098
	Total	7,453,037
8	Loans receivable	Amount in INR
	Particulars	31-Mar-19
	Unsecured, considered good	
	Loans to employees	4,489,261
	Total	4,489,261
9	Other current assets	Amount in INR
	Particulars	31-Mar-19
	Unsecured, considered good	
	Receivable from related parties (Refer Note No.25)	108,962,634
	Unbilled Revenue	13,061,519
	Advances to suppliers	67,860
	Advances to employees	209,846
	Balances with government authorities:	
	- GST receivable	735,844
	Total	123,037,703
10	Current tax assets	Amount in INR
	Particulars	31-Mar-19
	Advance tax paid (net of provision)	5,903,086
	Total	5,903,086
11	Equity share capital	Amount in INR
	Particulars	31-Mar-19
	Authorised	
	250,000 Equity shares of Rs. 10/- each with voting rights	2,500,000
	Total	2,500,000
	Issued, subscribed and fully paid-up	
	160,000 Equity shares of Rs.10/- each with voting rights	1,600,000
	Total	1,600,000



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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-19	
	No. of Shares	Amount in INR
Equity share of Rs.10/- each		
Opening balance	-	-
Issued during the year	160,000	1,600,000
Closing balance	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-19	
	No. of Shares	% Of shares
Strides Pharma Science Limited	160,000	100%
Total	160,000	100%

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

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

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

- 12 Other Equity Amount in INR

Particulars	31-Mar-19
	Surplus in statement of profit and loss
Opening balance	-
Add: Profit / (Loss) for the year	39,139,958
Closing balance	39,139,958
Items of other comprehensive income	
Opening balance	-
Add / (Less) : Other comprehensive income for the year	(3,202,916)
Add / (Less) : Tax impact on above	1,069,300
Closing balance	(2,133,616)
Total	37,006,342

- 13 Non current provisions Amount in INR

Particulars	31-Mar-19
	Provisions:
- Gratuity (Refer Note No.23)	51,061,918
- Compensated absences	25,370,473
Total	76,432,391



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ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

Note
 No.

14 Trade payables	Amount in INR	
Particulars	31-Mar-19	
Total outstanding dues of creditors other than micro & small enterprises		38,721,452
- Other than acceptances		12,054,422
- Dues to related parties (Refer Note No.25)		50,775,874
Total		50,775,874

Based on the information available with the company, there are no suppliers who are registered as micro, small or medium enterprises under The Micro, Small and Medium Enterprises Act, 2006 as at 31st March 2019.

15 Other current liabilities	Amount in INR	
Particulars	31-Mar-19	
Other payables:		
- Statutory remittances		28,325,860
Total		28,325,860

16 Current provisions	Amount in INR	
Particulars	31-Mar-19	
Provisions:		
- Gratuity (Refer Note No.23)		10,950,058
- Compensated absences		12,087,820
Total		23,037,878



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ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

Note
No.

17 Revenue from operations	Amount in INR
Particulars	31-Mar-19
Support service income (Refer Note No.25 for Related Parties)	163,830,300
Total	163,830,300

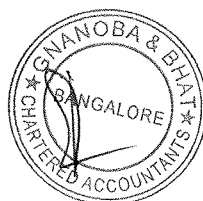
18 Employee benefits expenses	Amount in INR
Particulars	31-Mar-19
Salaries and wages	111,605,626
Contributions to provident and other funds (Refer Note No.23)	6,059,896
Gratuity (Refer Note No.23)	3,027,729
Share based compensation expense (Refer Note No.29)	545,184
Staff welfare expenses	1,331,474
Total	122,569,909

19 Finance costs	Amount in INR
Particulars	31-Mar-19
Interest expense on:	
- Bank charges and commission	250
Total	250

20 Depreciation and amortisation expenses	Amount in INR
Particulars	31-Mar-19
Depreciation on property, plant and equipment	863
Total	863

21 Other Expenses	Amount in INR
Particulars	31-Mar-19
Rent	9,378,261
Power charges	1,452,030
Repairs and maintenances:	
- Others	2,739,673
Rates and taxes	155,747
Subcontracting charges	6,953,987
Legal and professional fees	3,715,088
Communication expenses	722,466
Travelling and conveyance	135,718
Printing and stationery	303,236
Payments to auditors (refer note below)	350,000
Net loss on foreign currency transactions	10,496
Miscellaneous expenses	22,718
Total	25,939,420

Note: Payments to auditors comprises (net of GST credit):	Amount in INR
Particulars	31-Mar-19
Statutory Audit Fee	350,000



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ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

Note
No.

22 Tax expenses	Amount in INR
Particulars	31-Mar-19
Current Tax	8,516,000
Deferred tax	(32,336,100)
Total	(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: Amount in INR

Particulars	31-Mar-19
Profit before income taxes	15,319,858
Indian statutory income tax rate	33.38%
Expected income tax expense	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	3,401,700
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	(32,336,100)
Total Income tax expense	(23,820,100)



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ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

(Amounts in INR unless otherwise stated)

23. Employee benefit plans

23.1 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 (INR) 31-Mar-19
Employers' Contribution to Provident Fund	6,052,496
Employers' Contribution to Employee state insurance scheme	47,405

23.2 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. The above liability is not funded.

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

**Valuation as at
31-Mar-19**

Discount rate(s)	7.05%
Expected rate(s) of salary increase	10.00%

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

31-Mar-19

Service cost: •

Current service cost	1,955,412
Net interest expense	1,072,317

Components of defined benefit costs recognised in profit or loss

3,027,729

Remeasurement on the net defined benefit liability:

Actuarial (gains) / losses arising from experience adjustments	3,202,916
Components of defined benefit costs recognised in other comprehensive income	3,202,916

Total

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-19

Present value of defined benefit obligation	62,011,976
Fair value of plan assets	-

Funded status

The defined benefit plan is not funded.

Net liability arising from defined benefit obligation

62,011,976



June

ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

(Amounts in INR unless otherwise stated)

	Period ended 31-Mar-19
Movements in the present value of the defined benefit obligation are as follows:	
Opening defined benefit obligation	-
Current service cost	1,955,412
Interest cost	1,072,317
Acquisition / Divestiture	56,437,727
Remeasurement (gains)/losses:	
Actuarial gains and losses arising from experience adjustments	3,202,916
Benefits paid	(656,396)
Closing defined benefit obligation	62,011,976

Defined Benefit Obligation 01-Apr-18
to
31-Mar-19

Discount rate	
a. Discount rate - 100 basis points	64,799,729
b. Discount rate + 100 basis points	59,452,420
Salary increase rate	
a. Rate - 100 basis points	59,980,270
b. Rate + 100 basis points	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
2019-20	10,950,058
2020-21	10,117,546
2021-22	8,862,455
2022-23	8,526,905
2023-24	7,379,874
2024-25 to 2028-29	27,583,708

23.3 Actuarial Assumptions for Long-term Compensated Absence

Actuarial Assumptions	Period ended 31-Mar-19
Discount Rate	7.05%
Salary escalation Rate	10.00%
Attrition Rate	-
Charge In the Profit and Loss account - INR	4,786,046
Liability at the year end - INR	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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ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

24. Earnings per share

Particulars	31-Mar-19
Net profit after tax	39,139,958
Weighted average number of equity shares (No.s)	12,009
Earnings/(Loss) per share	3,259
Nominal value of equity shares	10

25. 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 Strides Emerging Markets Limited Strides Pharma Asia Pte Ltd Strides Pharma Cyprus Limited Strides Pharma Global Pte Limited Strides Pharma Inc Universal Corporation Limited Vivimed Life Sciences Private Limited			
Enterprise owned / significantly influenced by KMP of Holding Company		Naari Pharma Private Limited Solara Active Pharma Sciences Limited Stelis Biopharma Private Limited Strides Chemicals Private Limited Tenshi Life Care Private Limited Tenshi Life Sciences Private Limited			
Key Managerial Personnel		Shashidhar KL, Director Dr.Sathyanarayan P, Director Venkatesha NT, Director			
Amount in INR					
Sl. No.	Nature of Transaction		Holding Company	Fellow Subsidiaries	Enterprise owned / significantly influenced by KMP of Holding Company
Related party transactions during the year ended March 31st, 2019					
1	Investment in equity	2018-19	1,600,000	-	-
2	Support service income	2018-19	96,515,445	8,509,530	45,743,807
3	Rental expenses	2018-19	9,378,261	-	-
4	Loans & Advances - Taken / (Repaid) (net)	2018-19	500,000	-	-
5	Reimbursement of Expenses incurred on behalf of	2018-19	293,370	520,737	1,608,444
6	Reimbursement for Expenses incurred by	2018-19	3,953,022	-	374,481
7	Employee related liability transfer by	2018-19	81,319,442	-	31,735,306
8	Managerial remuneration to KMP Rs. 9.43 Mn				
Related party balances as at March 31st, 2019					
9	a) Trade payable	2018-19	12,054,422	-	-
	b) Trade receivable	2018-19	22,173,359	8,664,059	11,869,198
	c) Other receivable	2018-19	75,804,458	510,241	32,647,935

26. Foreign Currency Exposure

Foreign Currency Exposure as at March 31, 2019 that have not been hedged by a derivative instrument or otherwise:

Particulars	31st March 2019	
	Amount in Foreign Currency	Amount in INR
Receivables -USD	89,464	6,189,101
Receivables -SGD	392	19,999
Receivables -AUD	17,054	836,942
Total	106,910	7,046,042



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ARCO LAB PRIVATE LIMITED
Notes Forming Part of the Financial Statements

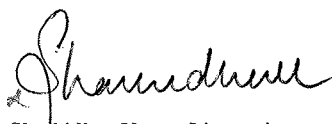
27. Details of leasing arrangements	Amount in INR
Particulars	31-Mar-19
Minimum lease payments debited to rent account	9,378,261
Future minimum lease payments;	
-Not later than 1 year	28,776,048
-Later than 1 year and not later than 5 years	50,252,362
-Later than 5 years	-

28. Previous year figures have not been given, this being the first year of the Company.

29. 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.545,184 has been debited to employee benefits expenses towards ESOP cost.

For and on behalf of Board of Directors


Nanditale M. Venkatesha
Director
DIN: 07405779


Shashidhar Koppa Lingaraj
Director
DIN: 07636554

Place: Bengaluru
Date : 19 July 2019

