Independent Auditor's Report

To the Members of Biocon Biologics India Limited

Report on the Audit of the Indian Accounting Standards ('Ind AS') Financial Statements

We have audited the accompanying Ind AS financial statements of Biocon Biologics India Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and summary of the significant accounting policies and other explanatory information (herein after referred to as "Ind AS financial statements").

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the state of affairs, loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS 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, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

Auditor's Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We are also responsible to 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2018, its loss (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in the paragraph 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 and Loss, the Statement of Cash Flows and Statement of Changes in Equity 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;

(e) on the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act;

(f) with respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and

(g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

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

ii. the Company 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; and

iv. the disclosures in the Ind AS financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However, amounts as appearing in the audited Ind AS financial statements for the period ended 31 March 2017 have been disclosed.

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number: 101248W/W-100022

Sampad Guha Thakurta
Partner
Membership number: 060573

Place: Bengaluru
Date: 26 April 2018

Annexure - A to the Independent Auditor's Report

The Annexure referred to in Independent Auditors' Report to the members of the Company on the Ind AS financial statements of Biocon Biologics India Limited for the year ended 31 March 2018. We report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(b) The Company has a regular programme of physical verification of its property, plant and equipment by which all property, plant and equipment are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain items of capital work in progress were verified during the year and no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us by the Management and based on audit procedures performed, the Company did not hold any immovable property during the year.

(ii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company did not hold any inventory during the year. Accordingly, the requirements under the paragraph 3(ii) of the order are not applicable to the Company.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act"). Accordingly, the provisions of clause 3(a), (b) and (c) of the Order are not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees and security given in respect of which provisions of Section 185 and 186 of the Act are applicable. Accordingly, the provisions of clause 3(iv) of the Order are not applicable to the Company.

(v) The Company has not accepted any deposits from the public within the meaning the directives issued by the Reserve Bank of India, provisions of Section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder.

(vi) The Company is yet to commence commercial operations hence requirement to maintain cost records pursuant to the Companies (Cost Records and Audit) Rules, 2014 as amended, prescribed by the Central Government under Section 148 of the Act is not applicable to the Company.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including income-tax and any other material statutory dues have been generally regularly deposited during the year with the appropriate authorities. As explained to us, the Company did not have any dues on account of provident fund, employees' state insurance, sales tax, value added tax, duty of customs, duty of excise, service tax and goods and service tax.

According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of income-tax and cess which have not been deposited by the Company on account of any dispute.

(viii) According to the information and explanations given to us, the Company did not have any borrowings during the year from banks, financial institutions and government and by way of debentures.

(ix) According to the information and explanations given to us, the Company has not raised any money by way of public issue or further public offer (including debt instruments) during the year. The term loans raised by the Company have been applied for the purpose for which they were raised.

(x) According to the information and explanations given to us, no material fraud on the Company by its officers and employees or fraud by the Company has been noticed or reported during the course of our audit.

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, no managerial remuneration has been paid or is payable by the Company.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Section 188 of the Act, where applicable, and details of such transactions have been disclosed in the financial statements 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. Accordingly para 3 (xiv) of the Order is not applicable.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him.

(xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number: 101248W/W-100022

Sampad Guha Thakurta
Partner
Membership number: 060573

Place: Bengaluru
Date: 26 April 2018

Annexure - B to the Independent Auditor's Report of even date on the financial statements of Biocon Biologics India Limited

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

We have audited the internal financial controls over financial reporting of Biocon Biologics India Limited ('the Company'), as of 31 March 2018 in conjunction with our audit of Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ('Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, 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 ICAI.

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number: 101248W/W-100022

Sampad Guha Thakurta
Partner
Membership number: 060573

Place: Bengaluru
Date: 26 April 2018

Balance Sheet as at March 31, 2018

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

	Note	March 31, 2018	March 31, 2017
ASSETS			
Non-current assets			
Capital work-in-progress	3	152,415.20	-
Other non-current assets	4	256,738.28	-
Total non-current assets		**409,153.48**	**-**
Current assets			
Financial assets			
(i) Cash and cash equivalents	5	5,856.25	0.45
(ii) Other financial assets	6	-	499.40
Total current assets		**5,856.25**	**499.85**
TOTAL		**415,009.73**	**499.85**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	7(a)	500.00	500.00
Other equity		(10,794.65)	(0.15)
Total equity		**(10,294.65)**	**499.85**
Non-current liabilities			
Financial liabilities			
(i) Borrowings	8	410,434.68	-
Total non-current liabilities		**410,434.68**	**-**
Current liabilities			
Financial liabilities			
(i) Other financial liabilities	9	13,799.61	-
Other current liabilities	10	1,070.09	-
Total current liabilities		**14,869.70**	**-**
TOTAL		**415,009.73**	**499.85**

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

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Sampad Guha Thakurta
Partner
Membership No.: 060573

Bengaluru
April 26, 2018

for **and on behalf of the Board of Directors of Biocon Biologics India Limited**

Kiran Mazumdar-Shaw
Director
DIN: 00347229

Arun Chandavarkar
Director
DIN: 01596180

Bengaluru
April 26, 2018

Statement of Profit and Loss for the year ended March 31, 2018

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

	Note	Year ended March 31, 2018	From June 8, 2016 to March 31, 2017
Total income		-	-
Expenses			
Other expenses	11	10,794.50	0.15
Total expenses		**10,794.50**	**0.15**
Loss for the year/period		(10,794.50)	(0.15)
Total comprehensive income for the year/period		**(10,794.50)**	**(0.15)**
Loss per share	17		
Basic and Diluted (in ₹)		(215.890)	(0.004)

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

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Sampad Guha Thakurta
Partner
Membership No.: 060573

Bengaluru
April 26, 2018

for **and on behalf of the Board of Directors of Biocon Biologics India Limited**

Kiran Mazumdar-Shaw
Director
DIN: 00347229

Arun Chandavarkar
Director
DIN: 01596180

Bengaluru
April 26, 2018

Statement of Changes in Equity for the year ended March 31, 2018

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

A. Equity share capital	March 31, 2018	March 31, 2017
Opening balance	500	-
Changes in equity share capital	-	500
Closing balance	**500**	**500**

B. Other equity

Particulars	Retained earnings	Total other equity
Loss for the period	(0.15)	(0.15)
Other comprehensive income, net of tax	-	-
Balance as at March 31, 2017	**(0.15)**	**(0.15)**
Loss for the year	(10,794.50)	(10,794.50)
Other comprehensive income, net of tax	-	-
Balance as at March 31, 2018	**(10,794.65)**	**(10,794.65)**

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

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Sampad Guha Thakurta
Partner
Membership No.: 060573

Bengaluru
April 26, 2018

for **and on behalf of the Board of Directors of Biocon Biologics India Limited**

Kiran Mazumdar-Shaw
Director
DIN: 00347229

Arun Chandavarkar
Director
DIN: 01596180

Bengaluru
April 26, 2018

Statement of Cash Flows for the year ended March 31, 2018

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

		Year ended March 31, 2018	From June 8, 2016 to March 31, 2017
I	**Cash flows from operating activities**		
	Loss for the year	(10,794.50)	(0.15)
	Movements in working capital		
	Decrease/(increase) in other assets	489.34	(499.40)
	(Decrease)/increase in other liabilities and provisions	4,310.77	-
	Cash generated from/(used in) operations	**(5,994.39)**	**(499.55)**
	Net cash generated from/(used in) operating activities	**(5,994.39)**	**(499.55)**
II	**Cash flows from investing activities**		
	Purchase of tangible assets	(395,343.81)	-
	Net cash flow used in investing activities	**(395,343.81)**	**-**
III	**Cash flows from financing activities**		
	Proceeds from issuance of share capital	-	500.00
	Proceeds from borrowings	407,194.00	-
	Net cash flow from financing activities	**407,194.00**	**500.00**
IV	**Net increase in cash and cash equivalents (I + II + III)**	**5,855.80**	**0.45**
V	**Cash and cash equivalents at the beginning of the year/period**	0.45	-
VI	**Cash and cash equivalents at the end of the year/period (IV + V)**	**5,856.25**	**0.45**
	Reconciliation of cash and cash equivalents as per statement of cash flow		
	Cash and cash equivalents (Note 5)		
	Balances with banks - on current accounts	5,856.25	0.45
	Balance as per statement of cash flows	**5,856.25**	**0.45**

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

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Sampad Guha Thakurta
Partner
Membership No.: 060573

Bengaluru
April 26, 2018

for **and on behalf of the Board of Directors of Biocon Biologics India Limited**

Kiran Mazumdar-Shaw
Director
DIN: 00347229

Arun Chandavarkar
Director
DIN: 01596180

Bengaluru
April 26, 2018

Notes to the financial statements for the year ended March 31, 2018

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

1. Company overview

1.1 Reporting entity

Biocon Biologics India Limited ("BBIL" or "the Company"), subsidiary of Biocon Biologics Limited, UK, was incorporated on June 8, 2016 under the Companies Act, 2013 as a public limited company. The Company is a public limited company incorporated and domiciled in India and has its registered office in Bengaluru, Karnataka. The Company is engaged in the development and manufacture of pharmaceutical formulations. During the current year, the Board and shareholders of the Company have approved the acquisition of existing Biosimilars business from Biocon Limited, subject to regulatory approvals. The Company is also in the process of setting up biosimilar biologics facility. As of March 31, 2018, BBIL has not commenced commercial operations.

1.2 Basis of preparation of financial statements

a) Statement of compliance

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

Although the Company has incurred losses in the current and the previous year, the management of the Company believes that the Company will be able to continue to operate as a going concern and meet all its liabilities as they fall due for payment based on available bank facilities which are transacted post the year ended March 31, 2018. Accordingly, these financial statements have been prepared on a going concern basis. These financial statements were authorised for issuance by the Company's Board of Directors on April 26, 2018.

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

b) Functional and presentation currency

These financial statements are presented in Indian rupees (INR), which is also the functional currency of the Company. All amounts have been rounded-off to the nearest thousand, unless otherwise indicated.

c) Basis of measurement

These financial statements have been prepared on the historical cost basis, except certain financial assets and liabilities (including derivative instruments) are measured at fair value.

d) Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires Management to make estimates, judgements and assumptions. These estimates, judgements and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

Judgements

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

– Note 1.2(b) — Assessment of functional currency

1.3 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2019 is included in the following notes:

— Note 16 – recognition and measurement of contingencies and commitments: key assumptions about the likelihood and magnitude of an outflow of resources.

1.4 Measurement of fair values

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

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

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Further information about the assumptions made in measuring fair values is included in Note 2(a) and 23 – financial instruments.

2 Significant accounting policies

a. Financial instruments

i. Recognition and initial measurement

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

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

ii. Classification and subsequent measurement

Financial assets

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

— Amortised cost;

— Fair value through other comprehensive income (FVOCI) – debt investment;

— Fair value through other comprehensive income (FVOCI) – equity investment; or

— FVTPL

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

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

— the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

— the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets: Subsequent measurement and gains and losses

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

Financial liabilities: Classification, subsequent measurement and gains and losses

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

iii. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

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

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

iv. Offsetting

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

v. Cash and cash equivalents

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

b. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labor, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

ii. Impairment

a. Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss ("ECL") model for measurement and recognition of impairment loss on following:

— financial assets measured at amortised cost; and

— financial assets measured at FVOCI- debt investments.

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

Loss allowance for financial assets measured at amortised cost are deducted from gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to statement of profit and loss and is recognised in OCI.

b. Impairment of non-financial assets

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

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

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

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

c. Borrowing cost

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

d. Earnings per share

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

e. Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2018 has notified the following new and amendments to Ind AS which the Company has not applied as they are effective for annual periods beginning on or after April 1, 2018:

Ind AS 21 The effect of changes in Foreign Exchange rates

Ind AS 21 – The effect of changes in Foreign Exchange rates

The amendment clarifies on the accounting of transactions that include the receipt or payment of advance consideration in a foreign currency. The appendix explains that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Company is evaluating the impact of this amendment on its financial statements.

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3. Capital work-in-progress

	Amount
Gross carrying amount	
At April 01, 2016	-
Additions	-
At March 31, 2017	-
Additions	152,415.20
At March 31, 2018	**152,415.20**

(a) Capital work-in-progress comprise of the Biologics manufacturing unit being set up in India.
(b) Borrowing cost capitalised during the year amounted to ₹ 10,166.14 (March 31, 2017 - ₹ Nil).

	March 31, 2018	March 31, 2017
4. Other assets		
Non-current		
Capital advances	256,728.22	-
Balances with statutory/government authorities	10.06	-
	256,738.28	**-**
5. Cash and cash equivalents		
Balances with banks:		
On current accounts	5,856.25	0.45
Total cash and cash equivalents	**5,856.25**	**0.45**
6. Other financial assets		
Current		
Other receivables from related parties [refer note 12]	-	499.40
	-	**499.40**

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	March 31, 2018	March 31, 2017

7(a). Equity share capital

Authorised

50,000 (March 31, 2017 - 50,000) equity shares of ₹ 10 each (March 31, 2017 - ₹ 10 each)	500.00	500.00
125,000,000 (March 31, 2017 - Nil) preference shares of ₹ 10 each (March 31, 2017 - ₹ Nil)	1,250,000.00	-

Issued, subscribed and fully paid-up

50,000 (March 31, 2017 - 50,000) equity shares of ₹ 10 each (March 31, 2017 - ₹ 10 each)	500.00	500.00

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

Equity shares	March 31, 2018		March 31, 2017	
	No.	₹ Thousand	No.	₹ Thousand
At the beginning of the year/period	50,000	500.00	-	-
Issued during the year/period	-	-	50,000	500.00
Outstanding at the end of the year/period	50,000	500.00	50,000	500.00

(ii) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.

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

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

	March 31, 2018		March 31, 2017	
	No.	% holding	No.	% holding
Equity shares of ₹ 10 each fully paid				
Biocon Biologics Limited, UK, the holding company (including shares held through nominees)	50,000	100.00%	50,000	100.00%

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

7(b). Other equity

Retained earnings

The amount represents the accumulated losses of the Company from inception till March 31, 2018.

	March 31, 2018	March 31, 2017
8. Long-term borrowings		
Loan from related party (unsecured) [refer note 12]	410,434.68	-
	410,434.68	**-**

During the year, the Company has obtained an unsecured loan facility from Biocon Limited, at prevailing market rate of interest for a period of three years to set up its manufacturing facility.

The maximum amount of loan outstanding during the year was ₹ 410,434.68 (March 31, 2017 - ₹ Nil).

9. Other financial liabilities

Current

Interest accrued but not due	9,149.52	-
Payables for capital goods	4,650.09	-
	13,799.61	**-**

10. Other current liabilities

Statutory dues	1,070.09	-
	1,070.09	**-**

	Year ended March 31, 2018	From June 8, 2016 to March 31, 2017
11. Other expenses		
Payment to auditors [refer note (a) below]	155.00	-
Rates, taxes and fees	10,639.50	-
Miscellaneous expenses	-	0.15
	10,794.50	**0.15**
(a) Payment to auditors:		
As auditor:		
Statutory audit fee	155.00	-
	155.00	**-**

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12. Related party disclosures:

The following table provides the value of transactions that have been entered into with related parties for the relevant financial year:

Sl. No.	Name of the related party	Relationship	Description of transaction	April 1, 2017 to March 31, 2018 Income/(Expenses)/ Other transactions	Balance as at March 31, 2018 (Payable)/Receivable	June 8, 2016 to March 31, 2017 Income/(Expenses)/ Other transactions	Balance as at March 31, 2017 (Payable)/Receivable
1	Biocon Biologics Limited, UK	Holding company	Issue of equity shares	-	-	499.40	499.40
2	Biocon Limited	Ultimate holding company	Expenses incurred by related party on behalf of the Company	(3,240.68)	-	-	-
			Loan from related party	(407,194.00)	(410,434.68)	-	-
			Interest on loan from related party	(10,166.14)	(9,149.52)	-	-
			Guarantee given by related party to a bank on behalf of the Company	-	(546,620.83)	-	-

(a) The above disclosures include related parties as per Ind AS 24 on "Related Party Disclosures" and Companies Act, 2013.

(b) All transactions with these related parties are priced on an arm's length basis and none of the balances are secured.

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13. Financial instruments: Fair value and risk managements

A. Accounting classification and fair values

March 31, 2018	Carrying amount				Fair value			
	FVTPL	FVTOCI	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Cash and cash equivalents	-	-	5,856.25	5,856.25	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-
	-	**-**	**5,856.25**	**5,856.25**	**-**	**-**	**-**	**-**
Financial liabilities								
Borrowings	-	-	410,434.68	410,434.68	-	-	-	-
Other financial liabilities	-	-	13,799.61	13,799.61	-	-	-	-
	-	**-**	**424,234.29**	**424,234.29**	**-**	**-**	**-**	**-**

March 31, 2017	FVTPL	FVTOCI	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Cash and cash equivalents	-	-	0.45	0.45	-	-	-	-
Other financial assets	-	-	499.40	499.40	-	-	-	-
	-	**-**	**499.85**	**499.85**	**-**	**-**	**-**	**-**
Financial liabilities								
Borrowings	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	

B. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(i) Risk management framework

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

(ii) Credit risk

Credit risk is the risk that the counterparty will not meet its obligation under a financial instrument or customer contract, leading to financial loss. The credit risk arises principally from its operating activities and financing activities.

(iii) Liquidity risk

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

The Company will be able to meet its current obligations with the working capital available with the Company and bank facilities which are transacted post the year ended March 31, 2018. Accordingly, no liquidity risk is perceived. In addition, the Company maintains the following line of credit:

(a) Unsecured loan facility from Ultimate holding company carrying interest rate at prevailing market rates.

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of March 31, 2018:

Particulars	Less than 1 year	1 - 2 years	2-5 years	5 - 7 years	Total
Long-term borrowings	-	-	410,434.68	-	410,434.68
Other financial liabilities	13,799.61	-	-	-	13,799.61
Total	**13,799.61**	**-**	**410,434.68**	**-**	**424,234.29**

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of March 31, 2017:

Particulars	Less than 1 year	1 - 2 years	2-5 years	5 - 7 years	Total
Long-term borrowings	-	-	-	-	-
Other financial liabilities	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

(iv) Market risk

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

Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the year ended March 31, 2018 the Company's borrowings at variable rate were denominated in INR.

(a) Interest rate risk exposure

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

Particulars	March 31, 2018	March 31, 2017
Variable rate borrowings	410,434.68	-
Total borrowings	**410,434.68**	**-**

(b) Sensitivity

A change of 100 basis points ("bps") in interest rates at the end of the reporting period would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Particulars	March 31, 2018 Profit or (loss)		March 31, 2017 Profit or (loss)	
Significant observable input	**Increase**	**Decrease**	**Increase**	**Decrease**
Interest rates (100 bps movement)	(4,104.35)	4,104.35	-	-

14. Capital management

The Company's objective when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern and to sustain future development of the business. In order to fund its operations, the Company has obtained an unsecured loan facility from Biocon Limited, carrying an interest rate at prevailing market rates for a period of three years.

The maximum amount of loan outstanding during the year was ₹ 410,434.68 (March 31, 2017 - ₹ Nil).

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15. Dues to Micro, Small and Medium enterprises

The disclosure with regard to outstanding dues to enterprises registered under Micro, Small and Medium Enterprises Act, 2006 ('Act') is based on the information available with the Company in respect of the registration status of its vendors/ suppliers. As at March 31, 2018, there were no parties registered under the said Act. Accordingly, no disclosure has been provided for the same.

16. Contingent liabilities and commitments

(i) Capital commitments:

The estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2018, net of advances, is ₹ 1,057,462.33 (March 31, 2017 - ₹ Nil).

(ii) Contingent liabilities:

The Company has no contingent liability as at March 31, 2018 and March 31, 2017.

	March 31, 2018	March 31, 2017
17. Loss per share:		
Earnings		
Loss for the year/period	(10,794.50)	(0.15)
Shares		
Basic outstanding shares	50,000	-
Add: Weighted average shares issued during the year/period	-	37,500
Weighted average shares used for computing basic and diluted EPS	**50,000**	**37,500**
Loss per share		
Basic and Diluted (in ₹)	(215.890)	(0.004)

18. Disclosure on Specified Bank Notes (SBNs)

During the period ended March 31, 2017, the Company had specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated March 30, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016, the denomination wise SBNs and other notes as per the notification is given below:

Particulars	SBNs*	Other denomination notes	Total
Closing cash in hand as on November 8, 2016	-	0.60	0.60
(+) Permitted receipts	-	-	-
(-) Permitted payments	-	-	-
(-) Amount deposited in Banks	-	(0.60)	(0.60)
Closing cash in hand as on December 30, 2016	-	-	-

*For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the November 8, 2016.

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Sampad Guha Thakurta
Partner
Membership No.: 060573

Bengaluru
April 26, 2018

for **and on behalf of the Board of Directors of Biocon Biologics India Limited**

Kiran Mazumdar-Shaw
Director
DIN: 00347229

Arun Chandavarkar
Director
DIN: 01596180

Bengaluru
April 26, 2018