Independent Auditors' Report

To the Members of Biocon Research Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Biocon Research Limited ("the Company"), which comprise the balance sheet as at 31 March 2019, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including 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 financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Information Other than the Financial Statements and Auditors' Report Thereon

The Company's Management and Board of Directors are responsible for the other information. The other information comprises the directors' report, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

The Company's Management and Board of Directors are 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 state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act.

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

Board of Directors is also 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial

controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

(A) 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 (including other comprehensive income), the 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 financial statements comply with the Ind AS specified under Section 133 of the Act.

e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 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".

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

a) The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its financial statements - Refer Note 26 to the financial statements;

b) The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses;

c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and

d) The disclosures in the 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 in these Financial Statements since they do not pertain to the financial year ended 31 March 2019.

(C) With respect to the matter to be included in the Auditors' Report under Section 197(16):

In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

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

Sampad Guha Thakurta
Partner
Membership No.: 060573

Bengaluru
25 April 2019

Annexure A to the Independent Auditor's Report

With reference to the Annexure A referred to in the Independent Auditor's Report to the members of the Company on the financial statements for the year ended 31 March 2019, we report the following:

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

(b) The Company has a regular programme of physical verification of its fixed assets, by which all fixed assets 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. Pursuant to the programme, certain fixed assets were physically 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 our audit procedures performed and, the records of the Company, 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(iii) (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 securities granted 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) According to information and explanations given to us, the Company has not accepted any deposits. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the services provided by 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 Provident fund, Employees' State Insurance, Income-tax, Goods and Services tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of duty of Customs and Cess.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income-tax, Goods and Services tax and other material statutory dues were in arrears as at 31 March 2019, 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 Goods and Services and cess which have not been deposited by the Company on account of any disputes, other than the following dues:

Name of the statute	Nature of dues	Amount disputed (INR in million)	Amount paid under protest (INR in million)	Period to which the amount relates	Forum where the dispute is pending
Income-tax Act, 1961	Income tax	42	13.8	2009-10	Commissioner of Income tax (Appeals)
Income-tax Act, 1961	Income tax	172	-	2014-15	Assessing Officer
Income-tax Act, 1961	Income tax	942	150	2015-16	Commissioner of Income tax (Appeals)

(viii) According to the information and explanations given to us, the Company did not have any borrowings during the year from banks, financial institution 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.

(x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees 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 Sections 177 and 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.

(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, paragraph 3(xiv) of the Order is not applicable to the Company.

(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. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.

(xvi) 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.

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

Sampad Guha Thakurta
Partner
Membership No.: 060573

Bengaluru
25 April 2019

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Annexure B to the Independent Auditor's Report on the financial statements of Biocon Research Limited for the year ended 31 March 2019

Report on the Internal Financial Controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

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

Opinion

We have audited the internal financial controls with reference to financial statements of Biocon Research Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements 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 (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial control with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, 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 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 with reference to the financial statements.

Meaning of Internal Financial Controls with reference to financial statements

A Company's internal financial control with reference to financial statements 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 with reference to financial statements 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 financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

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

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

Sampad Guha Thakurta
Partner
Membership No.: 060573

Bengaluru
25 April 2019

Balance Sheet as at March 31, 2019

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

	Note	March 31, 2019	March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3	543	410
Capital work-in-progress	3	272	105
Intangible assets	3	31	5
Deferred tax asset (net)	5	401	192
Income-tax asset (net)		264	114
Other non-current assets	6(a)	29	20
Total non-current assets		**1,540**	**846**
Current assets			
Financial assets			
(i) Investments	4	-	1,115
(ii) Trade receivables	7	1,240	1,150
(iii) Cash and cash equivalents	8	343	123
Other current assets	6(b)	99	6
Total current assets		**1,682**	**2,394**
TOTAL		**3,222**	**3,240**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	9(a)	1	1
Other equity	9(b)	1,552	978
Total equity		**1,553**	**979**
Non-current liabilities			
Financial liabilities			
(i) Borrowings	10	-	1,633
Provisions	11(a)	37	29
Other non-current liabilities	12(a)	10	13
Total non-current liabilities		**47**	**1,675**
Current liabilities			
Financial liabilities			
(i) Trade payables	13		
- Total outstanding dues of micro and small enterprises		-	11
- Total outstanding dues of creditors other than micro and small enterprises		528	433
(ii) Other financial liabilities	14	979	115
Provisions	11(b)	32	11
Income-tax liability (net)		53	-
Other current liabilities	12(b)	30	16
Total current liabilities		**1,622**	**586**
TOTAL		**3,222**	**3,240**

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 25, 2019

for and on behalf of the Board of Directors of Biocon Research Limited

Kiran Mazumdar-Shaw
Director
DIN: 00347229

John Shaw
Director
DIN: 00347250

Siddharth Mittal
Authorised Signatory

Bengaluru
April 25, 2019

Statement of Profit and Loss for the year ended March 31, 2019

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

	Note	Year ended March 31, 2019	Year ended March 31, 2018
Income			
Revenue from operations	15	2,414	2,181
Other income	16	56	9
Total income		**2,470**	**2,190**
Expenses			
Employee benefits expense	17	606	506
Finance costs	18	99	137
Depreciation and amortisation expense	19	111	98
Other expenses	20	955	776
Total expenses		**1,771**	**1,517**
Profit before tax		699	673
Tax expenses			
Current tax	25	169	141
Less: MAT credit entitlement		(32)	(141)
Other deferred tax		5	242
Total tax expense		**142**	**242**
Profit for the year		557	431
Other comprehensive income/expense			
(i) Items that will not be reclassified subsequently to profit or loss			
Re-measurement gains/(losses) on defined benefit plans		(5)	1
Income tax effect		-	-
Equity investments through other comprehensive income - net change in fair value		22	143
		17	**144**
Other comprehensive income for the year, net of taxes		**17**	**144**
Total comprehensive income for the year, net of taxes		**574**	**575**
Earnings per equity share			
Basic and diluted (in ₹)		1,114	862
Weighted average number of equity shares used in computing earnings per share			
Basic and diluted		500,000	500,000

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 25, 2019

for and on behalf of the Board of Directors of Biocon Research Limited

Kiran Mazumdar-Shaw
Director
DIN: 00347229

John Shaw
Director
DIN: 00347250

Siddharth Mittal
Authorised Signatory

Bengaluru
April 25, 2019

Statement of Changes in Equity for the year ended March 31, 2019

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

A. Equity share capital	March 31, 2019	March 31, 2018
Opening balance	1	1
Changes in equity share capital during the year	-	-
Closing balance	**1**	**1**

B. Other equity

Particulars	Other equity		Total other equity
	Retained earnings	Other items of other comprehensive income	
Balance as at April 01, 2017	**(211)**	**614**	**403**
Profit for the year	431	-	431
Other comprehensive income	-	144	144
Total comprehensive income for the year	**431**	**144**	**575**
Balance as at March 31, 2018	**220**	**758**	**978**
Profit for the year	557	-	557
Other comprehensive income	-	17	17
Total comprehensive income for the year	**557**	**17**	**574**
Balance as at March 31, 2019	**777**	**775**	**1,552**

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 25, 2019

for and on behalf of the Board of Directors of Biocon Research Limited

Kiran Mazumdar-Shaw
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DIN: 00347229

John Shaw
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Siddharth Mittal
Authorised Signatory

Bengaluru
April 25, 2019

Statement of Cash Flows for the year ended March 31, 2019

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

		Year ended March 31, 2019	Year ended March 31, 2018
I	**Cash flows from operating activities**		
	Profit for the year	557	431
	Adjustments to reconcile profit before tax to net cash flows:		
	Depreciation and amortisation	111	98
	Unrealised foreign exchange (gain)/loss	15	(12)
	Interest expense	99	137
	Tax expense	142	242
	Dividend income	-	(2)
	Operating profit before working capital changes	**924**	**894**
	Movements in working capital		
	Increase in trade receivables	(650)	(201)
	Increase in loans and advances and other assets	(96)	-
	Increase in trade payable, other liabilities and provisions	118	123
	Cash generated from operations	**296**	**816**
	Direct taxes paid, net	(448)	(219)
	Net cash flow (used in) / from operating activities	**(152)**	**597**
II	**Cash flows from investing activities**		
	Purchase of tangible assets	(464)	(87)
	Purchase of intangible assets	(28)	-
	Dividend received	-	2
	Proceeds from sale of investments	1,137	-
	Net cash flow from / (used in) investing activities	**645**	**(85)**
III	**Cash flows from financing activities**		
	Proceeds from long-term borrowings	1,295	738
	Repayment of long-term borrowings	(1,561)	(1,149)
	Interest paid	(11)	(14)
	Net cash flow used in financing activities	**(277)**	**(425)**
IV	**Net increase in cash and cash equivalents (I + II + III)**	**216**	**87**
V	**Effect of exchange differences on cash and cash equivalents held in foreign currency**	4	6
VI	**Cash and cash equivalents at the beginning of the year**	123	30
VII	**Cash and cash equivalents at the end of the year (IV + V + VI)**	**343**	**123**
	Reconciliation of cash and cash equivalents as per statement of cash flow		
	Cash and cash equivalents		
	Balances with banks - on current accounts	343	123
	Cash on hand	-	-
	Total cash and cash equivalents [refer note 8]	**343**	**123**

Reconciliation between opening and closing balance sheet for liabilities arising from financing activities

	Opening balance April 1, 2018	Cash flows	Non-cash movement	Closing balance March 31, 2019
Borrowings (including current maturities)	1,633	(266)	(449)	918
Interest accrued but not due	28	(11)	6	23
Total liabilities from financing activities	**1,661**	**(277)**	**(443)**	**941**

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 25, 2019

for and on behalf of the Board of Directors of Biocon Research Limited

Kiran Mazumdar-Shaw
Director
DIN: 00347229

John Shaw
Director
DIN: 00347250

Siddharth Mittal
Authorised Signatory

Bengaluru
April 25, 2019

Notes to the financial statements for the year ended March 31, 2019

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

1. Company Overview

1.1 Reporting entity

Biocon Research Limited ("the Company") was incorporated in India on May 28, 2008, as a wholly owned subsidiary of Biocon Limited. 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 providing research and development services to other companies of the Biocon Group.

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.

These financial statements have been prepared for the Company as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date, March 31, 2019. These financial statements were authorised for issuance by the Company's Board of Directors on April 25, 2019.

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 million, unless otherwise indicated.

c) Basis of measurement

These financial statements have been prepared on the historical cost basis, except for the following items:

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

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;
- Note 2(a) and 23 — Financial instruments;
- Note 2(b) and 2(c) — Useful lives of property, plant and equipment and intangible assets;
- Note 2(h) and 25 — Provision for income taxes and related tax contingencies and Evaluation of recoverability of deferred tax assets.

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 ended March 31, 2019 is included in the following notes:

— Note 5 and 25 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;

— Note 22 – measurement of defined benefit obligation; key actuarial assumptions;

— Note 23 – impairment of financial assets; and

— Note 11 and 26 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

1.4 Measurement of fair values

A number of the 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 equivalents 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 an 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. Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated.

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

Asset	Management estimate of useful life	Useful life as per Schedule II
Plant and equipment (including Electrical installation and Lab equipment)	9-11 years	8-20 years
Research and development equipment	9 years	5-10 years
Furniture and fixtures	6 years	10 years
Vehicles	6 years	6-10 years

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

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

c. Intangible assets

Internally generated: Research and development

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

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

Others

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

i. Subsequent expenditure

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

ii. Amortisation

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

— Computer software – 3-5 years

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

d. Impairment

i. 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.

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

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

An impairment loss in respect of assets for which impairment loss has been recognised in prior periods, the 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.

e. Employee benefits

i. Gratuity

The Company provides for gratuity, a defined benefit plan ("the Gratuity Plan") covering the eligible employees of the Company. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of the employment with the Company.

Liability with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method.

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

ii. Provident Fund

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

iii. Compensated absences

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

f. Provisions (other than for employee benefits)

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

Onerous contracts

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

g. Revenue from contracts with customers

The Company has implemented the new standard Ind-AS 115 'Revenue from Contracts with Customers' effective April 1, 2018 using the cumulative effect method. The effect of initially applying this standard is recognised at the date of initial application (i.e. April 1, 2018). The Company has evaluated its open arrangements on out-licensing with reference to upfront non-refundable fees received in earlier periods and concluded that some of the performance obligations may not be distinct and hence would need to be bundled with the subsequent product supply obligations. Accordingly standard is applied retrospectively only to contracts that are not completed as at the date of initial application and comparative information presented for year ended March 31, 2018 has not been restated i.e. it is presented, as previously reported, under Ind-AS 18, Ind-AS 11 and related interpretations. However, based on the evaluation, the Company has concluded that there is no impact on adoption Ind-As 115. Additionally, the disclosure requirements in Ind-AS 115 have not generally been applied to comparative information.

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

i. Research services

In respect of research services involving 'time and materials' contracts, research fee are recognised as services are rendered, in accordance with the terms of the contracts. The rates charged to customers are arrived at a cost plus markup basis as per the terms of the agreement with each customer.

ii. Dividends

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

iii. Interest income or expense

Interest income or expense is recognised using the effective interest method.

h. Income taxes

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

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

— taxable temporary differences arising on the initial recognition of goodwill;

— temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of transaction;

— temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

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

i. 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.

j. 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.

k. Government grants

The Company recognises government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in relation to assets are recognised as deferred income and amortised over the useful life of such asset. Government grants, which are revenue in nature are either recognised as income or deducted in reporting the related expense based on the terms of the grant, as applicable.

l. Recent Indian Accounting Standards (Ind AS)

Ind AS 116 – Leases

In March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) Amendment Rules, 2019, notifying Ind AS 116 'Leases' (New Revenue Standard), which replaces Ind AS 17 'Leases', including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after April 01, 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under Ind AS 116 is substantially unchanged from today's accounting under Ind AS 17. Lessors will continue to classify all leases using the same classification principle as in Ind AS 17 and distinguish between two types of leases: operating and finance leases.

The Company will adopt the standards, effective from April 1, 2019. The Company is in the process of evaluating the impact of the new standard in its financial statements.

Ind AS 12 Appendix C, uncertainty over Income Tax Treatments

On March 30, 2019 , the Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax credits and tax rates, when there is uncertainty over Income Tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatments, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (or loss), tax base, unused tax losses, unused tax credits and tax rates.

The standard permits two possible method of transition – i) Full retrospective approach- Under this approach, Appendix C will be applied retrospectively to each reporting period presented in accordance with Ind AS 8 – Accounting policies, Changes in Accounting Estimates and

Errors, without using hindsight and ii) Retrospectively with cumulative effect of initially applying Appendix C recognised by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual period beginning on or after April 01, 2019. The Company is in the process of evaluating the impact of the new standard and decide the approach once the said evaluation has been completed. The effect of adoption of Ind AS 12 Appendix C is not expected to be material in the financial statements.

Amendments to Ind AS 12- Income taxes

On March 30, 2019 , the Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes.

The amendment clarified that an entity shall recognise the income tax consequences of dividend in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after April 01, 2019. The Company is currently evaluating the effect of this amendment on the financial statements.

Amendment to Ind AS 19- plan amendment, curtailment or settlement

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendment require an entity:

— To use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and

— To recognise in profit or loss as part of past of service cost, or a gain or loss on settlement, any reduction in a surplus, even is that surplus was not previously recognised because of the impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after April 01, 2019. The adoption of this amendment is not expected to have a material impact on its financial statements.

Ind AS 109 – Prepayment Features with Negative Compensation

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The adoption of this standard is not expected to have a material impact on its financial statements.

Ind AS 23 – Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The adoption of this standard is not expected to have a material impact on its financial statements.

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3. Property, plant and equipment, Capital work-in-progress and Intangible assets

	Property, plant and equipment					Capital work-in-progress [Refer note (a)]	Intangible assets	
	Plant and equipment	Research & development equipment	Furniture and fixtures	Vehicles	Total		Computer software	Total
Gross carrying amount								
At April 01, 2017	284	633	10	3	930	-	36	36
Additions	10	29	-	-	39	105	-	-
At March 31, 2018	**294**	**662**	**10**	**3**	**969**	**105**	**36**	**36**
Additions	62	179	1	-	242	167	28	28
At March 31, 2019	**356**	**841**	**11**	**3**	**1,211**	**272**	**64**	**64**
Accumulated depreciation								
At April 01, 2017	124	337	2	-	463	-	29	29
Depreciation/amortisation for the year	31	63	2	-	96	-	2	2
At March 31, 2018	**155**	**400**	**4**	**-**	**559**	**-**	**31**	**31**
Depreciation/amortisation for the year	31	75	2	1	109	-	2	2
At March 31, 2019	**186**	**475**	**6**	**1**	**668**	**-**	**33**	**33**
Net carrying amount								
At March 31, 2018	**139**	**262**	**6**	**3**	**410**	**105**	**5**	**5**
At March 31, 2019	**170**	**366**	**5**	**2**	**543**	**272**	**31**	**31**

(a) Capital work-in-progress primarily comprises research & development equipments

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	March 31, 2019	March 31, 2018
4. Investments		
I. Current quoted equity instruments at FVOCI:		
Syngene International Limited - Nil (March 31, 2018 - 1,866,673) equity shares of ₹ 10 each	-	1,115
Total current investments	**-**	**1,115**
Aggregate book value of quoted investments	-	1,115
Aggregate value of quoted investments (market value)	-	1,115
Aggregate provision for diminution in value of investments	-	-
The Company designated the investment shown above as equity shares at FVOCI.		
5. Deferred tax assets, (net)		
Deferred tax asset		
Tax losses	-	17
Defined benefit obligations	20	12
MAT credit entitlement	375	161
Property, plant and equipment and intangible assets	6	2
Deferred tax asset	**401**	**192**
6. Other assets		
(a) Non-current		
Capital advances	6	-
Balances with statutory/government authorities	23	20
	29	**20**
(b) Current		
Advances to suppliers	8	4
Prepayments	4	2
Export incentive receivable	87	-
	99	**6**
7. Trade receivables		
Unsecured, considered good [refer note 21]	1,240	1,150
	1,240	**1,150**

The Company's exposure to credit and currency risks, and loss allowances are disclosed in note 23.

8. Cash and cash equivalents		
Balances with banks:		
On current accounts	343	123
Cash on hand [refer note (a) below]	-	-
Total cash and cash equivalent	**343**	**123**

(a) The Company has cash on hand which are not disclosed above since amounts are rounded off to Rupees million.

9(a). Equity share capital		
Authorised		
1,000,000 (March 31, 2018 - 1,000,000) equity shares of ₹ 1 each (March 31, 2018 - ₹ 1 each)	1	1
Issued, subscribed and fully paid-up		
500,000 (March 31, 2018 - 500,000) equity shares of ₹ 1 each (March 31, 2018 - ₹ 1 each)	**1**	**1**

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

Equity shares	March 31, 2019		March 31, 2018	
	No.	₹ Million	No.	₹ Million
At the beginning of the year	500,000	1	500,000	1
Issued during the year	-	-	-	-
Outstanding at the end of the year	**500,000**	**1**	**500,000**	**1**

(ii) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 1 per share. Each 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 the approval of the shareholders in the ensuing Annual General Meeting.

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

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

	March 31, 2019		March 31, 2018	
	No.	% holding	No.	% holding
Equity shares of ₹ 1 each fully paid				
Biocon Limited, the Holding Company (including shares held through nominees)	500,000	100%	500,000	100%

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

9(b). Other equity

Retained earnings

The amount that can be distributed by the Company as dividends to its equity shareholders.

	March 31, 2019	March 31, 2018
10. Long-term borrowings		
Loan from the Holding Company (unsecured)	918	1,633
Less: Amount disclosed under the head "other current financial liabilities" [refer note 14]	(918)	-
	-	**1,633**

The Company has obtained an unsecured loan facility of upto ₹ 6,500 on July 24, 2014 from Biocon Limited, carrying an interest at prevailing market rate for supporting its operations and funding research and development activities. The loan is repayable by March 31, 2020.

The maximum amount outstanding during the year to Biocon Limited was ₹ 1,707 (March 31, 2018 - ₹ 2,496)

The Company's exposure to liquidity, interest rate and currency risks are disclosed in note 23.

	March 31, 2019	March 31, 2018
11. Provisions		
(a) Non-current		
Provision for employee benefits		
Gratuity [refer note 22]	37	29
	37	**29**
(b) Current		
Provision for employee benefits		
Gratuity [refer note 22]	5	3
Compensated absences	27	8
	32	**11**

(i) Movement in provisions	Gratuity	Compensated absences
Opening balance	32	8
Provision recognised during the year	10	19
Closing balance	**42**	**27**

	March 31, 2019	March 31, 2018
12. Other liabilities		
(a) Non-current		
Deferred revenues	10	13
	10	**13**
(b) Current		
Deferred revenues	3	3
Statutory dues	27	13
	30	**16**
13. Trade payables		
Trade payables [refer note (a) below]		
- Total outstanding dues of micro and small enterprises [refer note (b) below]	-	11
- Total outstanding dues of creditors other than micro and small enterprises [refer note 21]	528	433
	528	**444**
(a) Disclosure required under Clause 22 of Micro, Small and Medium Enterprise Development ('MSMED') Act, 2006		
(i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each year		
Principal amount due to micro and small enterprises	-	11
Interest due on the above	-	-
(ii) The amount of interest paid by the buyer in terms of Section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	5	30
(iii) The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	-	-
(iv) The amount of interest accrued and remaining un-paid at the end of each accounting year	1	-
(v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act, 2006	-	-
The above disclosures are provided by the Company based on the information available with the Company in respect of the registration status of its vendors/suppliers.		
(b) the amounts are not presented since they are rounded off to Rupees million.		
14. Other financial liabilities		
Current		
Current maturities of long-term borrowings [refer note 10]	918	-
Interest accrued but not due [refer note 21]	23	28
Payables for capital goods	38	87
	979	**115**

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	Year ended March 31, 2019	Year ended March 31, 2018
15. Revenue from operations		
Sale of services		
Research fees	2,215	1,962
Licensing and development fees	2	3
Other operating revenues		
Export incentives	120	181
Others [refer note (a) below]	77	35
Revenue from operations	**2,414**	**2,181**

(a) Others include royalty income amounting to ₹ 74 (March 31, 2018 - ₹ 32). Also refer note 21.

	Year ended March 31, 2019
15.1 Disaggregated revenue information	
Set out below is the disaggregation of revenue:	
Revenues by geography	
Revenues from contracts with customers	
United Kingdom	901
Malaysia	655
India	660
Rest of the world	1
	2,217
Revenue from other sources	
Other operating revenue	197
	197
Total revenue from operations	**2,414**

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

15.2 Performance obligation:

In relation to information about Company's performance obligations in contracts with customers refer note 2(g).

	March 31, 2019
15.3 Contract balances	
Trade receivables	1,240

Trade receivables are non-interest bearing.

	Year ended March 31, 2019	Year ended March 31, 2018
16. Other income		
Dividend income from		
Non-current investments	-	2
Foreign exchange gain, net	51	-
Other non-operating income	5	7
	56	**9**
17. Employee benefits expense		
Salaries, wages and bonus	524	446
Contribution to provident and other funds	23	19
Gratuity [refer note 22]	6	6
Share based payments to employees [refer note 27]	36	23
Staff welfare expenses	17	12
	606	**506**

	Year ended March 31, 2019	Year ended March 31, 2018
18. Finance costs		
Interest expense on		
Loan from holding company [refer note 21]	99	137
	99	**137**
19. Depreciation and amortisation expense		
Depreciation of tangible assets [refer note 3]	109	96
Amortisation of intangible assets [refer note 3]	2	2
	111	**98**
20. Other expenses		
Rent	55	52
Communication expenses	1	1
Travelling and conveyance	27	30
Professional charges	5	3
Payments to auditors[refer note (a) below]	1	1
Power and fuel	56	55
Rates, taxes and fees	1	-
Lab consumables	649	493
Repairs and maintenance		
Plant and machinery	57	63
Buildings	7	2
Others	12	12
Printing and stationery	2	-
Foreign exchange loss, net	-	6
Research & development expenses	73	48
Miscellaneous expenses	9	10
	955	**776**
(a) Payments to auditors:		
As auditor:		
Statutory audit fee	1	1
Tax audit fee [refer note (b) below]	-	-
In other capacity:		
Other services (certification fees)		
Reimbursement of out-of-pocket expenses [refer note (b) below]	-	-
	1	**1**

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

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21. Related party disclosure

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

Name of the related party	Relationship	Description	April 1, 2018 to March 31, 2019 Expenses/(Income)/ Other transactions	Balance as at March 31, 2019 (Payable)/Receivable	April 1, 2017 to March 31, 2018 Expenses/(Income)/ Other transactions	Balance as at March 31, 2018 (Payable)/Receivable
Biocon Limited	Holding company	Research fees	(660)	-	(684)	-
		Royalty income	(74)	-	(32)	-
		Rent expenses	55	-	52	-
		Power fuel	56	-	55	-
		Staff welfare expenses towards canteen charges	5	-	5	-
		Share based payments to employees	36	-	23	-
		Expenses incurred by related party on behalf of the Company	7	-	17	-
		Sale of scrips	(33)	-	(181)	-
		Trade receivables	-	-	-	202
		Trade payables	-	(239)	-	(164)
		Loan from Holding company, net	715	(918)	290	(1,633)
		Interest on long-term borrowings	99	(23)	137	(28)
Syngene International Limited	Fellow subsidiary	Research and development expenses	9	-	1	-
		Dividend Income	-	-	(2)	-
		Trade payable	-	(4)	-	(7)
Biocon SA	Fellow subsidiary	Research fees	(1)	-	(53)	-
		Trade receivables	-	-	-	39
Biocon Biologics Limited	Fellow subsidiary	Research fees	(899)	-	(723)	-
		Licensing and development fees	(2)	-	(3)	-
		Trade receivables	-	721	-	526
Biocon SDN BHD	Fellow subsidiary	Research fees	(655)	-	(502)	-
		Trade receivables	-	519	-	365

(a) All transactions with these related parties are priced at arm's length basis.
(b) The above disclosures include related parties as per Ind AS 24 on "Related Party Disclosures" and Companies Act, 2013.
(c) The loan from Holding Company is presented net of repayments due to multiple transactions.
(d) Fellow subsidiary companies with whom the Company did not have any transactions:
  (i) Biocon Academy, a subsidiary of Biocon Limited
  (ii) Biocon Pharma Limited, a subsidiary of Biocon Limited
  (iii) Biocon FZ LLC, a subsidiary of Biocon Limited
  (iv) Biocon Pharma Inc., a subsidiary of Biocon Pharma Limited
  (v) Biocon Biologics India Limited, a subsidiary of Biocon Limited
  (vi) Biocon Healthcare SDN BHD, a subsidiary of Biocon Limited
  (vii) Syngene USA Inc, a subsidiary of Syngene international Limited
  (viii) Bicara Therapeutics Inc., a subsidiary of Biocon Pharma Limited
  (ix) Biocon Pharma Ireland Limited, a subsidiary of Biocon Pharma Limited
  (x) Biocon Pharma UK Limited, a subsidiary of Biocon Pharma Limited

22. Employee benefit plans

(i) The Company has a defined benefit gratuity plan as per the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefit provided depends on the employee's length of service and salary at retirement/termination age and does not have any maximum monitory limit for payment. The gratuity plan is unfunded.

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

	Defined benefit obligation	
	March 31, 2019	March 31, 2018
Balance as at beginning of the year	**32**	**31**
Current service cost	4	4
Interest expense	2	2
Amount recognised in Statement of profit and loss	**6**	**6**
Remeasurements:		
Return on plan assets, excluding amounts included in interest expense/(income)		
Actuarial loss arising from:		
Financial assumptions	1	(1)
Experience adjustment	4	-
Amount recognised in other comprehensive income	**5**	**(1)**
Employers contribution	-	-
Benefits paid	(1)	(4)
Balance as at end of the year	**42**	**32**
Current	5	3
Non current	37	29
Total	**42**	**32**
(ii) The assumptions used for gratuity valuation are as below:		
Interest rate	6.96%	7.4%
Discount rate	6.96%	7.4%
Expected return on plan assets	6.96%	7.4%
Salary increase	9.0%	9.0%
Attrition rate	14% - 30%	14% - 30%
Retirement age - Years	58	58

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

The weighted average duration of the defined benefit obligation was 6 years (March 31, 2018 - 7 years)

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

(iii) Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are as below:

Particulars	March 31, 2019		March 31, 2018	
	Increase	Decrease	Increase	Decrease
Discount rate	(2)	2	(2)	2
Salary increase	2	(2)	2	(2)
Attrition rate*	-	-	-	-

*the amounts are not presented since they are rounded off to Rupees million.

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

Maturity profile of defined benefit obligation

Particulars	₹ Million
1st Following year	5
2nd Following year	5
3rd Following year	5
4th Following year	7
5th Following year	6
Years 6 to 10	16
Years 11 and above	22

23. Financial instruments: Fair values and risk management

A. Accounting classification and fair values

	Carrying amount				Fair value			
March 31, 2019	**FVTPL**	**FVTOCI**	**Amortised Cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Trade receivables	-	-	1,240	1,240	-	-	-	-
Cash and cash equivalents	-	-	343	343	-	-	-	-
	-	**-**	**1,583**	**1,583**	**-**	**-**	**-**	**-**
Financial liabilities								
Trade payables	-	-	528	528	-	-	-	-
Other financial liabilities	-	-	979	979	-	-	-	-
	-	**-**	**1,507**	**1,507**	**-**	**-**	**-**	**-**

	Carrying amount				Fair value			
March 31, 2018	**FVTPL**	**FVTOCI**	**Amortised Cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Non-current investments	-	1,115	-	1,115	1,115	-	-	1,115
Trade receivables	-	-	1,150	1,150	-	-	-	-
Cash and cash equivalents	-	-	123	123	-	-	-	-
	-	**1,115**	**1,273**	**2,388**	**1,115**	**-**	**-**	**1,115**
Financial liabilities								
Long-term borrowings	-	-	1,633	1,633	-	-	-	-
Trade payables	-	-	444	444	-	-	-	-
Other financial liabilities	-	-	115	115	-	-	-	-
	-	**-**	**2,192**	**2,192**	**-**	**-**	**-**	**-**

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

(ii) Credit risk

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

Company's customers primarily comprise entities within the Biocon Group. The maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the balance sheet. The Company uses ageing analysis to monitor the credit quality of its receivables.

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The maximum exposure to credit risk as at reporting date is primarily from trade receivables amounting to ₹ 1,240 (March 31, 2018: ₹ 1,150). There is no allowance for expected credit loss in respect of trade and other receivables during the year.

(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 believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived. In addition, the Company maintains the following line of credit:

(a) Unsecured loan facility from Holding Company carrying an interest at prevailing market rate. The loan is repayable by March 31, 2020.

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of March 31, 2019:

Particulars	Less than 1 year	1 - 2 years	2-5 years	Total
Trade payables	528	-	-	528
Other financial liabilities	979	-	-	979
Total	**1,507**	**-**	**-**	**1,507**

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	Total
Long-term borrowings	-	-	1,633	1,633
Trade payables	444	-	-	444
Other financial liabilities	115	-	-	115
Total	**559**	**-**	**1,633**	**2,192**

(iv) Market risk

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

Foreign currency risk

The Company operates internationally and major portion of the business is transacted in currencies other than functional currency and consequently, the Company is exposed to foreign exchange risk through operating and borrowing activities in foreign currency.

The currency profile of financial assets and financial liabilities as at March 31, 2019 and March 31, 2018 are as below:

March 31, 2019	USD	EUR	Others	Total
Financial assets				
Trade receivables	1,240	-	-	1,240
Cash and cash equivalents	304	-	-	304
Financial liabilities				
Trade payables	(57)	(5)	(3)	(65)
Other current financial liabilities	(14)	(1)	-	(15)
Net assets / (liabilities)	**1,473**	**(6)**	**(3)**	**1,464**

March 31, 2018	USD	EUR	Others	Total
Financial assets				
Trade receivables	944	-	-	944
Cash and cash equivalents	120	-	-	120
Financial liabilities				
Trade payables	(86)	(5)	(3)	(94)
Other current financial liabilities	(56)	(3)	(5)	(64)
Net assets / (liabilities)	**922**	**(8)**	**(8)**	**906**

Sensitivity analysis

The sensitivity of profit or loss to changes in exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	Impact on profit or loss		Impact on other components of equity	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
USD Sensitivity				
INR/USD - Increase by 1%	15	9	15	9
INR/USD - Decrease by 1%	(15)	(9)	(15)	(9)
EUR Sensitivity				
INR/EUR - Increase by 1% (refer note (i) below)	-	-	-	-
INR/EUR - Decrease by 1% (refer note (i) below)	-	-	-	-

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

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, 2019 and March 31, 2018 the Company's borrowings at variable rate were mainly 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 period are as follows:

Particulars	March 31, 2019	March 31, 2018
Variable rate borrowings	918	1,633
Total borrowings	**918**	**1,633**

(b) Sensitivity

A change of 100 basis points ("bp") 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, 2019 Profit or (loss)		March 31, 2018 Profit or (loss)	
Significant observable inputs	Increase	Decrease	Increase	Decrease
Interest rates (100 bps movement)	(9)	9	(16)	16

24. 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, so as to maintain market confidence and to sustain future development of the business. In order to fund its operations, the Company has obtained an unsecured loan facility upto ₹ 6,500 on July 24, 2014 from Biocon Limited, carrying an interest at prevailing market rate for supporting its operation and funding research and development activities. The maximum amount outstanding during the year to Biocon Limited was ₹ 1,707 (March 31, 2018 - ₹ 2,496).

		Year ended March 31, 2019	Year ended March 31, 2018
25. Tax expense			
(a)	**Amount recognised in Statement of profit and loss**		
	Current tax	169	141
	MAT credit entitlement	(32)	(141)
	Deferred tax expense / (income) related to:		
	Origination and reversal of temporary differences	5	242
	Tax expense for the year	**142**	**242**
	In March 2018, a new corporate tax rate was enacted where in the corporate tax rate effective from April 1, 2018 was reduced from 34.61% to 29.12%. This change had resulted in loss of ₹ 5 for the year ended March 31, 2018 related to the remeasurement of deferred tax assets and liabilities.		
(b)	**Reconciliation of effective tax rate**		
	Profit before tax	699	673
	Tax at statutory income tax rate 29.12% (March 31, 2018 - 34.61%)	204	233
	Tax effects of amounts which are not deductible / (taxable) in calculating taxable income		
	Exempt income	(72)	(1)
	Non-deductible expense	10	8
	Others	-	2
	Income tax expense	**142**	**242**

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(c) **Recognised deferred tax assets and liabilities**

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

For the year ended March 31, 2019	Opening balance	Recognised in profit or loss	Movement in Balance sheet	Closing balance
Deferred tax asset				
Tax losses	17	(17)	-	-
Defined benefit obligations	12	8	-	20
MAT credit entitlement	161	32	182	375
Property, plant and equipment and intangible assets	2	4	-	6
Gross deferred tax asset	**192**	**27**	**182**	**401**
Deferred tax liability				
Property, plant and equipment and intangible assets	-	-	-	-
Gross deferred tax liability	-	-	-	-
Net deferred tax asset	**192**	**27**	**182**	**401**

For the year ended March 31, 2018	Opening balance	Recognised in profit or loss	Movement in Balance sheet	Closing balance
Deferred tax asset				
Tax losses	262	(245)	-	17
Defined benefit obligations	15	(3)	-	12
MAT credit entitlement	20	141	-	161
Property, plant and equipment and intangible assets	-	2	-	2
Gross deferred tax asset	**297**	**(105)**	**-**	**192**
Deferred tax liability				
Property, plant and equipment and intangible assets	4	(4)	-	-
Gross deferred tax liability	4	(4)	-	-
Net deferred tax asset	**293**	**(101)**	**-**	**192**

	March 31, 2019	March 31, 2018
26. Contingent liabilities and commitments		
(a) Claims against the Company not acknowledged as debt	1,156	42
Direct taxation (matters pertaining to disputes on tax holiday benefits and disallowance of certain expenses claimed by the Company)		
(b) Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	71	261

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

27. Employee stock compensation

The employees of the Company are eligible for shares under the Biocon Employee Stock Option Plan ('ESOP Plan 2000'), Biocon - Restricted Stock Units of Syngene International Limited ('RSU Plan 2015') and Biocon - Restricted Stock Units of Biocon Biologics India Limited ('RSU Plan 2019') (collectively "stock option plans") of Biocon Limited.

Total number of options outstanding as at March 31, 2019 in respect of ESOP Plan 2000, RSU plan 2015 and RSU Plan 2019 towards the employees of the Company are 1,437,075, 97,273 and 3,42,945 respectively. The Company has recorded an amount of ₹ 36 (March 31, 2018- ₹ 23) as cost of the above stock option plans. The Company reimburses the cost to Biocon Limited.

28. Segmental reporting

Business segments

Since the Company's business activity falls within a single business segment, i.e. carrying out research and development of drugs and drug delivery systems, there are no additional disclosures to be provided under Ind AS 108 'Operating Segments' other than those already provided in the financial statements.

Geographical segments

Secondary segmental reporting is performed on the basis of the geographical location of customers. The management views the Indian market and export markets as distinct geographical segments. The following is the distribution of the Company's sale by geographical markets.

Revenue from operations	March 31, 2019	March 31, 2018
India	854	894
United Kingdom	901	723
Malaysia	655	502
Rest of the world	4	62
	2,414	**2,181**
The following is the carrying amount of assets by geographical area in which the assets are located:		
Carrying amount of non-current assets		
India	1,139	654
Outside India	-	-
	1,139	**654**
Note: Non-current assets excludes financial instruments and deferred tax.		
Significant clients		
The revenues from the below clients were individually more than 10% of the Company's total revenue.		
Biocon Biologics Limited	901	726
Biocon Limited	734	716
Biocon SDN BHD	655	502

29. Disclosure on Specified Bank Notes (SBNs)

The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 have not been made since the requirement does not pertain to financial year ended March 31, 2019.

30. The previous year's figures have been re-grouped/ reclassified, where necessary to confirm to current year's classification.

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 25, 2019

for and on behalf of the Board of Directors of Biocon Research Limited

Kiran Mazumdar-Shaw
Director
DIN: 00347229

John Shaw
Director
DIN: 00347250

Siddharth Mittal
Authorised Signatory

Bengaluru
April 25, 2019