INDEPENDENT AUDITOR'S REPORT

To the Members of Biocon Research Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Biocon Research Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 the design, implementation and maintenance of adequate internal financial control 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
   (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
   (e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
   (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
      i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 29 to the financial statements.
      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W

per Aditya Vikram Bhauwala
Partner
Membership Number: 208382

Place: Bengaluru
Date: April 25, 2016

ANNEXURE 1 TO THE AUDITORS' REPORT

The Annexure 1 referred to in our report to the Members of Biocon Research Limited ('the Company') for the year ended March 31, 2016. We report that:

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

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification, intended to cover all the fixed assets of the Company over a period, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, there are no immovable properties, included in fixed assets of the Company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.

(ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification.

(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. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(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 Companies Act, 2013 are applicable and hence not commented upon.

(v) The Company has not accepted any deposits from the public.

(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 of the Company.

(vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, custom duty, excise duty, value added tax, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, custom duty, excise duty, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, customs duty, excise duty, value added tax and cess on account of any dispute, are as follows:

Name of the Statute	Nature of the dues	Amount claimed (₹ Million)	Amount paid under protest (₹ Million)	Period to which the amount relates	Forum where dispute is pending
Income-tax Act, 1961	Income Tax	496	83	FY 2011-12, FY 2010-11 & FY 2009-10	Commissioner of Income Tax (Appeals)

(viii) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution and banks. The Company does not have any borrowing by way of debenture or borrowing from government.

(ix) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, term loans were applied for the purpose for which the loans were obtained. The Company has not raised any money by way of initial public offer / further public offer / debt instruments.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, no managerial remuneration has been paid or is payable by the Company. Accordingly, reporting under clause 3(xi) is not applicable and hence not commented upon.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence not commented upon.

(xv) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W

per Aditya Vikram Bhauwala
Partner
Membership Number: 208382

Place: Bengaluru
Date: April 25, 2016

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF BIOCON RESEARCH LIMITED

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

We have audited the internal financial controls over financial reporting of Biocon Research Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 Companies Act, 2013 ("the Act").

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Explanatory paragraph

We also have audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act, the financial statements of the Company, which comprise the Balance Sheet as at March 31, 2016, and the related Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and our report dated April 25, 2016 expressed an unqualified opinion.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W

per Aditya Vikram Bhauwala
Partner
Membership Number: 208382

Place: Bengaluru
Date: April 25, 2016

BALANCE SHEET AS AT MARCH 31, 2016

(All amounts are in Indian Rupees Million)

	Notes	As at March 31, 2016	As at March 31, 2015
Equity and liabilities			
Shareholders' funds			
Share capital	3	1	1
Reserves and surplus	4	(1,338)	(2,007)
		(1,337)	**(2,006)**
Non-current liabilities			
Long-term borrowings	5	1,455	2,447
Other long-term liabilities	6	693	696
Long-term provisions	7	23	17
		2,171	**3,160**
Current liabilities			
Short-term borrowings	8	-	685
Trade payables	9		
Total outstanding dues of micro enterprises and small enterprises		-	3
Total outstanding dues of creditors other than micro enterprises and small enterprises		910	504
Other current liabilities	10	113	43
Short-term provisions	7	13	10
		1,036	**1,245**
TOTAL		**1,870**	**2,399**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	11	481	520
Intangible assets	12	7	14
Capital work-in-progress		10	8
Intangible assets under development	12	269	1,007
Non-current investments	13	298	298
Loans and advances	14	115	106
		1,180	**1,953**
Current assets			
Inventories	15	-	9
Trade receivables	16	546	293
Cash and bank balances	17	67	10
Loans and advances	14	77	134
		690	**446**
TOTAL		**1,870**	**2,399**
Summary of significant accounting policies	2.1		

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

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration no.: 101049W

per Aditya Vikram Bhauwala
Partner
Membership no.: 208382

Bengaluru
April 25, 2016

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, 2016

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

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

	Notes	Year Ended March 31, 2016	Year Ended March 31, 2015
Income			
Revenue from operations (net)	18	4,053	824
Other income	19	44	88
Total (I)		**4,097**	**912**
Expenses			
Employee benefits expense	20	341	254
Other expenses	21	1,235	984
Product development cost charged off	12(b)	1,371	-
Depreciation and amortisation expense (net)	22	165	171
Finance costs	23	316	103
		3,428	**1,512**
Less: Recovery of product development costs from co-development partner (net)		**-**	**(184)**
Total (II)		3,428	1,328
Profit/ (Loss) before tax and exceptional item		669	(416)
Exceptional item (net) (III)	24	-	499
Profit before tax (I - II + III)		**669**	**83**
Tax expense		-	-
Profit for the year		**669**	**83**
Earnings per share [nominal value of share ₹ 1 (March 31, 2015: ₹ 1)]			
Basic and Diluted (in ₹)		**1,338**	**166**
Weighted average number of shares used in computing earnings per share			
Basic and Diluted		**500,000**	**500,000**
Summary of significant accounting policies	2.1		

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

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration no.: 101049W

per Aditya Vikram Bhauwala
Partner
Membership no.: 208382

Bengaluru
April 25, 2016

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, 2016

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

(All amounts are in Indian Rupees Million)

		Note	Year Ended March 31, 2016	Year Ended March 31, 2015
I	**Cash flows from operating activities:**			
	Profit before tax		669	83
	Adjustment to reconcile profit before tax to net cash flows			
	Depreciation/ Amortisation expense		165	171
	Product development cost charged off [refer note 12(b)]		1,371	-
	Unrealised foreign exchange (gain)/ loss		10	28
	Interest expense		316	103
	Dividend income received on current investments (non-trade)		-	(5)
	Dividend income received on non-current investments (refer note 26)		(2)	-
	Exceptional items (net)		-	(499)
	Operating profit/ (loss) before working capital changes		**2,529**	**(119)**
	Movements in working capital			
	Decrease/ (Increase) in inventories		9	9
	Decrease/ (Increase) in trade receivables		(250)	4
	Decrease/ (Increase) in loans and advances		59	172
	Increase/ (Decrease) in liabilities and provisions [also refer note 26(e)]		1,017	1,112
	Cash generated from/ (used in) operations		**3,364**	**1,178**
	Direct taxes paid		(11)	(77)
	Net cash flow from/ (used in) operating activities		**3,353**	**1,101**
II	**Cash flows from investing activities:**			
	Purchase of tangible fixed assets, capital work-in-progress and capital advances (net of reimbursements under co-development arrangement)		(54)	(274)
	Acquisition of intangible assets/ Product development cost capitalised		(701)	(593)
	Purchase of non-trade investment		-	(3,488)
	Proceeds from sale of non-trade investment		-	3,677
	Purchase of current investments		(5)	(996)
	Proceeds from sale of current investments		5	996
	Dividend income received on current investments (non-trade)		-	5
	Dividend income received on non-current investments (refer note 26)		2	87
	Net cash flow (used in) investing activities		**(753)**	**(586)**
III	**Cash flows from financing activities:**			
	Proceeds from long-term borrowing [also refer note 26(e]		1,800	2,367
	Repayment of long-term borrowing		(3,657)	(3,917)
	Proceeds from short-term borrowings		-	1,834
	Repayment of short-term borrowings		(685)	(1,184)
	Interest paid [also refer note 26(e) and note 34]		-	(20)
	Net cash flow (used in) financing activities		**(2,542)**	**(920)**
IV	**Net increase/ (decrease) in cash and cash equivalents (I + II + III)**		58	(405)
V	**Effect of exchange differences on cash and cash equivalents held in foreign currency**		-1	(2)
VI	**Cash and cash equivalents at the beginning of the year**		10	417
VII	**Cash and cash equivalents at the end of the year (IV + V + VI)**		**67**	**10**
	Components of cash and cash equivalents			
	Cash on hand (refer note 34)		-	-
	Balances with banks:			
	on current accounts		67	10
	Total cash and cash equivalents (note 17)		**67**	**10**
	Summary of significant accounting policies	2.1		

As per our report of even date

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm registration no.: 101049W

per Aditya Vikram Bhauwala

Partner

Membership no.: 208382

Bengaluru

April 25, 2016

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, 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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

1. Corporate information

Biocon Research Limited ("the Company") was incorporated in India on May 28, 2008, as a wholly owned subsidiary of Biocon Limited. The Company is engaged in carrying out research and development of drugs and drug delivery systems including innovative drug initiatives and out-license products, processes, patents, technology, that arise from the aforementioned research and development.

During the year ended March 31, 2010, the Company received an approval for a Special Economic Zone ("SEZ") unit to be located within Biocon SEZ at the Biocon Park facility. The Company commenced commercial operations during the year ended March 31, 2010.

2. Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards (AS), notified under section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention except in case of assets for which provision for impairment is made and revaluation is carried out.

The Central Government in consultation with National Advisory Committee on Accounting Standards has amended Companies (Accounting Standards) Rules, 2016 ('principal rules'), vide notification issued by Ministry of Corporate Affairs dated and effective March 30, 2016. The Company believes that the Rule 3(2) of the principal rules has not been withdrawn or replaced and accordingly, the Companies (Accounting Standards) Rules, 2016 will apply for the accounting periods commencing on or after March 30, 2016. Hence, the Company has not applied the Companies (Accounting Standards) Rules, 2016 in preparation of financial statements for the year ended March 31, 2016.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

As at March 31, 2016, the Company has accumulated losses of Rs.1,338 [March 31, 2015 – Rs. 2,007] and a negative net worth of Rs. 1,337 [March 31, 2015 – Rs. 2,006]. Management is of the view that the losses are attributable to the early stage of the Company's operations. Management is confident that it would be able to generate the required funds from its operations and achieve a profitable growth in the near future. The Company has also received commitment from its Holding Company to provide financial and operational support, if required. Accordingly, these financial statements are prepared by the management on a going concern basis.

2.1 Summary of significant accounting policies

a. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

b. Tangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and other directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. This applies mainly to components for machinery. When significant parts of fixed assets are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including routine repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

The Company adjusts exchange differences arising on translation/ settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset. In accordance with MCA circular dated August 09, 2012, exchange differences adjusted to the cost of fixed assets are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset for the period.

Gains or losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognised.

Assets funded by third parties are capitalised at gross value and the funds so received are recorded as funding received from co-developer and amortised over the useful life of the assets.

c. Depreciation on tangible fixed assets

Depreciation on fixed assets is calculated on a straight-line basis based on the useful lives estimated by the management as mentioned below.

Nature of Asset	Useful lives (in years)
Plant and machinery (including electrical installations)*	11
Computers and servers*	3
Office equipment	5
Furniture and fixtures*	6
Research and development equipment*	9

Used assets acquired from third parties are depreciated on a straight line basis over their remaining useful life of such assets.

Management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets, though these rates in certain cases are different from lives prescribed under Schedule II.

* For these classes of assets, where the estimated useful lives are different from lives prescribed under Schedule II, management has estimated these useful lives after taking into consideration technical assessment, prior asset usage experience and the risk of technological obsolescence.

d. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Computer software which is not an integral part of the related hardware is classified as an intangible asset.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed its remaining patent life or ten years, whichever is lower. If persuasive evidence exists to the affect that useful life of an intangible asset exceeds ten years, the Company amortizes the intangible asset over the best estimate of its useful life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognised.

Amortisation of intangible assets:

a) Intellectual Property rights are amortized on a straight line basis over the estimated useful economic life of 10 years.

b) Computer Software is amortised on a straight line basis over a period of 4-5 years, being its estimated useful life.

Research and Development Costs

Research and development costs incurred for development of products are expensed as incurred. Development costs which relate to the design and testing of new or improved materials, products or processes or for existing products in new territories are recognised as an intangible asset when the Company can demonstrate all the following:

a) it is technically feasible to complete the development of the asset and it will be available for sale/use.

b) it is expected that such development will be completed and used/sold.

c) it is expected that such assets will generate future economic benefits.

d) there are adequate resources to complete such development.

e) it is possible to measure reliably the expenditure attributable to the asset during development.

Research and development expenditure of a capital nature is added to fixed assets. Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. The carrying value of the development cost is tested for impairment annually.

e. Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from short-term foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

f. Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss, except for previously revalued tangible fixed assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognized in the revaluation reserve up to the amount of any previous revaluation.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

g. Inventories

Inventories of Consumables are valued at cost. Cost is determined on a first-in-first out basis. Customs duty on imported materials (excluding stocks in the bonded warehouse) is treated as part of the cost of the inventories.

h. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Sale of services :

In respect of licensing agreements entered into by the Company, revenue is recognised upon completion of performance obligations or on a proportional performance basis over the period the Company performs its obligations, based on the terms of the agreements. Proportionate performance is measured based upon the efforts/ costs incurred to date in relation to the total estimated efforts / costs to complete the contract. The Company monitors estimates of the total contract revenue and cost on a routine basis throughout the contract period. The cumulative impact of any change in estimates of the contract revenue or costs is reflected in the period in which the changes become known. In the event that the loss is anticipated on a particular contract, provision is made for the estimated loss.

Research fee is recognised on an accrual basis as and when the services are rendered and collection is probable.

(ii) Dividend income: Dividend income is recognized when the Company's right to receive dividend is established by the reporting date.

i. Investments

Investments which are readily realisable and intended to be held for not more than twelve months from the date on which such investments are made are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

j. Retirement benefits

Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the statement of profit and loss for the year when the employee renders the related service and the contributions to the government funds are due. The Company has no obligation other than the contribution payable to provident fund authorities.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains and losses for defined benefit plan are recognized in full in the period in which they occur in the statement of profit and loss.

Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond 12 months, as long –term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/ losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

k. Foreign currency translation

Foreign currency transactions and balances

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are translated using the exchange rates at the date when such values were determined.

Exchange Differences

From accounting period commencing on or after 7 December 2006, the Company accounts for exchange differences arising on translation/ settlement of foreign currency monetary items as below:

(i) Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.

(ii) Exchange differences arising on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.

(iii) All other exchange differences are recognized as income or as expenses in the period in which they arise.

For the purpose of (i) and (ii) above, the Company treats a foreign monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination. In accordance with MCA circular dated August 09, 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period.

l. Income tax

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax liability is recognised for all taxable timing differences. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

In the situations where the Company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternate Tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on "Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961", the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

m. Earnings Per Share (EPS)

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

n. Operating lease

Where the Company is a Lessee

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

o. Segment reporting

Identification of segments

The Company's operating businesses are organised and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different services to different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operates.

Inter-segment Transfers

The Company generally accounts for inter-segment sales and transfers at an agreed marked-up price.

Allocation of common costs

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items

The Corporate and other segment include general corporate income and expense items which are not allocated to any business segment.

Segment policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

p. Provisions

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

q. Contingent liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

r. Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(This space has been intentionally left blank)

	March 31, 2016	March 31, 2015
3. Share capital		
Authorised		
1,000,000 (March 31, 2015 - 1,000,000) equity shares of Rs. 1 each	1	1
Issued, subscribed and fully paid-up		
500,000 (March 31, 2015 - 500,000) equity shares of Rs. 1 each	1	1
Total issued, subscribed and fully paid-up share capital	**1**	**1**

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity Shares	March 31, 2016		March 31, 2015	
	No.	Rs. Million *	No.	Rs. 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**

* rounded off to next million

b. Terms/ rights attached to equity shares:

The Company has only one class of equity shares having par value of Rs. 1 per share. Each holder of equity shares is entitled to one vote per share.

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

c. Equity shares held by holding company and details of shareholders holding more than 5% shares held in the Company

	March 31, 2016		March 31, 2015	
	No.	**% holding**	**No.**	**% holding**
Biocon Limited, the holding company (including shares held through nominees)				
Equity shares of ₹ 1 each fully paid up	500,000	100%	500,000	100%

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

	March 31, 2016	March 31, 2015
4. Reserves and surplus		
Surplus/ (deficit) in the statement of profit and loss		
Balance as per the last financial statements	(2,007)	(2,090)
Profit for the year	669	83
Net surplus/ (deficit) in the statement of profit and loss	(1,338)	(2,007)
Total reserves and surplus	**(1,338)**	**(2,007)**

(This space has been intentionally left blank)

	March 31, 2016	March 31, 2015
5. Long-term borrowings		
Loans from related parties		
Loan from holding company (unsecured)	1,455	2,447
	1,455	**2,447**

a. The Company has obtained an unsecured loan facility upto ₹ 6,500 on July 24, 2014 from Biocon Limited, carrying an interest rate @ 8% - 9% per annum for supporting its operations and funding research and development activities. The loans are repayable on March 31, 2020.
The maximum amount outstanding during the year to Biocon Limited was ₹ 4,799 (March 31, 2015 - ₹ 3,053).

	March 31, 2016	March 31, 2015
6. Other long-term liabilities		
Payable for capital goods and services [refer note 12(a)]	673	673
Funding received from co-development partner towards fixed assets. [refer note 10 and 11(b)]	20	23
	693	696

	Long-term		Short-term	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
7. Provisions				
Provision for employee benefits				
Provision for gratuity (refer note 31)	23	17	4	3
Provision for leave benefits	-	-	9	7
	23	**17**	**13**	**10**

	March 31, 2016	March 31, 2015
8. Short-term borrowings		
Packing credit foreign currency loan (unsecured) [refer note (a) below]	-	685
	-	**685**

a. The Company has obtained foreign currency denominated loans of ₹ Nil [March 31, 2015 - ₹ 685 (US$ 11 million)], carrying an interest rate of LIBOR plus 0.35% per annum, from a bank as at March 31, 2015. The loan was repaid on April 06, 2015. Biocon Limited had given corporate guarantee for such loan.

	March 31, 2016	March 31, 2015
9. Trade payables		
Total outstanding dues of micro enterprises and small enterprises [refer (a) below]	-	3
Total outstanding dues of creditors other than micro enterprises and small enterprises	910	504
	910	**507**
a. Disclosure required under Clause 22 of Micro, Small and Medium Enterprise Development Act, 2006 (MSMED Act)		
(i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
Principal amount due to micro and small enterprises (refer note 34)	-	3
Interest due on the above (refer note 34)	-	-
	-	3
(ii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with amounts of the payment made to the supplier beyond the appointed day during each accounting year	7	5
(iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond appointed day during the year) but without adding the interest specified under the MSMED Act 2006 (refer note 34)	-	-
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
(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 (refer note 34)	-	-
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.		
10. Other current liabilities		
Payable for capital goods and services	10	11
Advances from co-development partner	-	8
Balance in current account with bank representing book overdraft	3	-
Others:		
Interest accrued and due	-	10
Interest accrued but not due	82	-
Statutory dues [refer (a) below]	15	11
Funding received from co-development partner towards fixed assets [refer note 6 and 11(b)]	3	3
	113	**43**

a. Statutory dues include provident fund, employees state insurance, professional tax, withholding taxes and other indirect taxes payable.

11. Tangible assets

	Plant and machinery (including computers)	Furniture and fixtures	Research and development equipment [Refer note b]	Total
Cost				
At April 01, 2014	244	2	517	763
Additions	9	1	24	34
At March 31, 2015	**253**	**3**	**541**	**797**
Additions	9	-	45	54
At March 31, 2016	**262**	**3**	**586**	**851**
Depreciation				
At April 01, 2014	47	-	131	178
Charge for the year	25	1	73	99
At March 31, 2015	**72**	**1**	**204**	**277**
Charge for the year	24	-	69	93
At March 31, 2016	**96**	**1**	**273**	**370**
Net Block				
At March 31, 2015	**181**	**2**	**337**	**520**
At March 31, 2016	**166**	**2**	**313**	**481**

a. Fixed assets excludes certain equipment obtained on loan basis from co-development partner for use in the joint development program amounting to ₹ 68. Total equipment on loan basis ₹ 68 (March 31, 2015 - ₹ 68)

b. Addition to fixed assets during the year ended March 31, 2016, include assets of Nil (March 31, 2015 - ₹ 12) of which, Nil (March 31, 2015 - ₹ 6) has been funded by co-development partner. The Company has capitalized and depreciated the gross cost of these assets. The funding received from the co-development partner is reflected in note 6 and 10 and the depreciation charge for the year has been adjusted for the proportionate amount recovered from the co-development partner. Also refer note 22.

(This space has been intentionally left blank)

12. Intangible assets

	Intangible assets	Intangible assets under development		
	Computer software	Intellectual Properties under development [refer note (a) below]	Product Development Cost [refer note (b) below]	Total
Gross Block				
At March 31, 2014	27	1,293	81	1,374
Additions	4	-	589	589
At March 31, 2015	**31**	**1,293**	**670**	**1,963**
Additions	-	-	701	701
Deletions/ Adjustments	-	-	(1,371)	(1,371)
At March 31, 2016	**31**	**1,293**	**-**	**1,293**
Amortization				
At March 31, 2014	9	889	-	889
Charge for the year	8	67	-	67
At March 31, 2015	**17**	**956**	**-**	**956**
Charge for the year	7	68	-	68
At March 31, 2015	**24**	**1,024**	**-**	**1,024**
Net Block				
At March 31, 2015	**14**	**337**	**670**	**1,007**
At March 31, 2016	**7**	**269**	**-**	**269**

a. During the year ended March 31, 2010, the Company acquired development and marketing rights of oral insulin from Biocon Limited for a consideration of ₹ 673. During the year ended on March 31, 2013, the Company had entered into an option agreement with a third party providing such third party rights to develop and commercialize the product worldwide excluding India. During the year, third party has not exercised such option agreement to continue with co-development. However, the Company is engaged in conducting further development activities.

b. Product development cost relates to the cost of development of a product in the global market. Also refer note 21(c). In March 2016, the Company has licenced its global commercial rights (excluding India) pertaining to Biosimilar Monoclonal Antibodies ("Mabs") and certain Proteins to Biocon Biologics Limited UK ("BUK"), a fellow subsidiary for ₹ 2,820. Accordingly, the product development costs amounting to ₹ 1,371 has been charged off to Statement of Profit and loss.

(This space has been intentionally left blank)

	March 31, 2016	March 31, 2015
13. Non-current investments		
Other investments (valued at cost unless stated otherwise)		
Investment in equity instruments (unquoted)		
Nil (March 31, 2015 - 1,866,673) equity shares in Syngene International Limited,	-	298
a subsidiary of Biocon Limited (Face value: Rs. 10 per share) [also refer note 24]		
Total unquoted non-current investments	-	298
Investment in equity instruments (quoted)		
1,866,673 (March 31, 2015 - Nil) equity shares in Syngene International Limited,	298	-
a subsidiary of Biocon Limited (Face value: Rs. 10 per share) [refer (a) below]		
Total quoted non-current investments	298	-
	298	298
Aggregate value of unquoted investments	-	298
Aggregate value of quoted investments (cost)	298	-
Aggregate value of quoted investments (market value)	717	-

a. During the year, Syngene International Limited ('Syngene') completed its Initial public offer (IPO), through an offer for sale of 22,000,000 equity shares of ₹ 10 each, by Biocon Limited

	Non-current		Current	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
14. Loans and advances				
Capital advances				
Unsecured, considered good (refer note 34)	-	-	-	-
Advances recoverable in cash or kind				
Unsecured, considered good	-	-	22	72
Other loans and advances				
Unsecured, considered good				
Advance income tax	88	77	-	-
Other receivables	-	-	55	60
Other receivables from related parties (refer note 26)	-	-	-	2
Balances with statutory/ government authorities	27	29	-	-
	115	106	77	134

	March 31, 2016	March 31, 2015
15. Inventories (valued at lower of cost and net realisable value)		
Consumables	-	9
	-	9

a. Consumables comprises of reference products and resins, which are used in clinical trials and research & development activities, and are consumed over a period of time.

	March 31, 2016	March 31, 2015
16. Trade receivables		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	17	-
Other receivables		
Unsecured, considered good (refer note 26)	529	293
	546	293
17. Cash and bank balances		
Cash and cash equivalents		
Balances with banks:		
On current accounts	67	10
on hand (refer note 34)	-	-
	67	10

	March 31, 2016	March 31, 2015
18. Revenue from operations (net)		
Sale of services		
Research fees (refer note 26)	831	734
Licensing and development fees (refer note 12(b) and note 26)	3,195	72
Royalty income (refer note 26)	27	18
	4,053	**824**
19. Other income		
Dividend income on current investments (non-trade)	-	5
Dividend income on non-current investments (refer note 26)	2	-
Foreign exchange differences (net)	39	-
Other non-operating income (refer note 26)	3	83
	44	**88**
20. Employee benefits expense		
Salaries, wages and bonus	302	231
Contribution to provident and other funds	13	9
Gratuity expense (refer note 31)	8	6
Staff welfare expenses	18	8
	341	**254**
21. Other expenses		
Lab consumables	386	324
Power and fuel	53	67
Rent	37	36
Rates and taxes (refer note 34)	-	-
Insurance	2	1
Repairs and maintenance		
- Others	68	47
Travelling and conveyance	13	11
Communication costs (refer note 34)	-	-
Printing and stationery	2	1
Legal and professional fees	152	248
Payments to auditors [refer note (a) below]	1	1
Research and development expenses [refer note (b) below]	1,199	815
Foreign exchange differences (net)	-	16
Miscellaneous expenses	23	6
	1,936	1,573
Product development costs capitalised [refer note (c) below]	(701)	(589)
	1,235	**984**
a. Payments to auditors		
As auditor:		
Audit fee	1	1
Tax audit fee (refer note 34)	-	-
Reimbursement of expenses (refer note 34)	-	-
	1	**1**
b. Research and development expense includes consumption of consumables comprising of reference product and resins		
Details of consumption		
Inventory at the beginning of the year	9	18
Add: Purchases	-	-
	9	18
Less: Inventory at the end of the year	-	9
Consumption for the year	**9**	**9**

c. Product development costs capitalised comprise of lab consumables of Rs. 30 (March 31, 2015 - Rs. 29) and other third party costs of ₹ 671 (March 31, 2015 - ₹ 560) included in research & development expenses above.

	March 31, 2016	March 31, 2015
22. Depreciation and amortisation expense (net)		
Depreciation of tangible assets [refer note 11]	93	99
Amortization of intangible assets [refer note 12]	75	75
Depreciation on assets partly funded by co-development partner [refer note 11 (b)]	(3)	(3)
	165	**171**
23. Finance costs		
Interest expense (refer note 24 and note 26)	316	103
	316	**103**

24. Exceptional item (net)

On September 9, 2014, the Company purchased 7.69% of equity shares in Syngene International Limited ("Syngene") from GE Equity International Mauritius for a consideration of ₹ 2,154. On September 10, 2014, the Company received dividend of ₹ 87 from Syngene on the above shares. The Company also subscribed to additional equity shares in Syngene by way of rights issue for a consideration of ₹ 1,334, thereby taking BRL's shareholding in Syngene to 10.93%. On September 18, 2014, the Company entered into an agreement with Silver Leaf Oak (Mauritius) Limited ("Silver Leaf") to sell 10% of equity holding in Syngene.

In January 2015, Silver Leaf assigned its rights and obligations to purchase the aforesaid equity stake in Syngene to IVF Trustee Company Private Limited ("IVF"), a fund advised by India Value Fund Advisors. Subsequently, the Company sold such shares to IVF for a consideration of ₹ 3,800. Accordingly, a gain of ₹ 610 was been recorded on such sale. Further, the Company incurred cost of ₹ 198 (including interest expense of ₹ 76) in relation to above transaction. Accordingly, dividend income and gain on sale of investment, net of transaction cost, amounting to Rs. 499 was been disclosed as exceptional item.

	March 31, 2016	March 31, 2015
25. Research and development expenses included in other heads		
Employee benefits expense	214	158
Other expenses	1,935	1,572
Amortisation expense of Intangible assets	68	67
	2,217	**1,797**
Recovery of product research & development costs from co-development partners (net) (Refer note 33)	-	(184)
Product development costs capitalised	(701)	(589)
	1,516	**1,024**
Research & development expenses on Equipment (net of reimbursements under co-development arrangement) [Also refer note 11(b)]	**45**	**18**

(This space has been intentionally left blank)

26. Related party disclosures:

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

Sl No	Name of related party	Relationship	Description	April 1, 2015 to March 31, 2016 Expenses/(Income)/ Other transactions	March 31, 2016 Payables/ (Receivables)	April 1, 2014 to March 31, 2015 Expenses/ (Income)	March 31, 2015 Payables/ (Receivables)
1	Biocon Limited	Holding Company	Cross charges towards lab consumables and other expenses	680	-	587	-
			Rent expense [refer note (a) below]	37	-	34	-
			Power and fuel [refer note (a) below]	53	-	64	-
			Repairs & maintenance (towards utility charges) [refer note (a) below]	9	-	9	-
			Royalty income	(27)	-	(18)	-
			Transfer of Capital work-in progress	(7)	-		
			Trade payable [refer note (e) below]	-	349	-	180
			Payable for capital goods (Non-current) [refer note 12(a)]	-	673	-	673
			Purchase of goods	40	-	6	-
			Long-term borrowings [refer note (e) below]	-	1,455	-	2,447
			Interest on long-term borrowings [refer note (e) below]	316	82	157	10
			Guarantee given by related party to a bank on behalf of the Company	-	-	-	685
2	Syngene International Limited	Fellow Subsidiary	Professional charges (Expenses)	116	-	89	-
			Trade payable	-	24	-	11
			Subscription of equity shares - Right issue [refer note (c) below]	-	-	1,334	-
			Dividend income [refer note (c) below]	(2)	-	(87)	-
3	Biocon SA	Fellow Subsidiary	Research fees (Income)	(776)	-	(734)	-
			Trade receivable	-	(359)	-	(221)
4	Biocon SDN BHD	Fellow Subsidiary	Other non-operating income [refer note (d) below]	(3)	-	(83)	-
			Other receivable	-	-	-	(2)
5	Biocon Biologics Limited	Fellow Subsidiary	Research fees (Income)	(55)	-	-	-
			Licensing and development fees	(2,820)	-	-	-
			Trade receivable	-	(55)	-	-

(a) The Company has entered into service agreement with Biocon SEZ Developer and Biocon SEZ operating units of Biocon Limited for availing Land on lease and certain other facilities and services.

(b) 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) NeoBiocon FZ LLC, a subsidiary of Biocon Limited
(v) Biocon Pharma Inc., a subsidiary of Biocon Pharma Limited

(c) On September 9, 2014, the Company purchased 4,166,667 equity shares of Syngene International Limited ("Syngene") (Face value: ₹ 5 per share) from GE Equity International Mauritius for a consideration of ₹ 2,154. On September 10, 2014, the Company received dividend of Rs. 87 from Syngene on the above shares. The Company also subscribed 1,971,060 equity shares of Syngene (Face value: ₹ 5 per share) by way of rights issue for a consideration of ₹ 1,334.

(d) Other non-operating income pertains to fee charged on training of certain employees of Biocon SDN BHD.

(e) The Company has obtained an unsecured loan facility amounting to ₹ 6,500 from Biocon at the interest rate prevailing for Government securities, to support its operations. The said loan is repayable by March, 2020. During the year ended March 31, 2016, the Company took loans of ₹ 1,800 (March 31, 2015: ₹ 2,367). During the year ended March 31, 2016, trade payables of ₹ 652 (March 31, 2015: ₹ 2,221) and interest payable of ₹ 212 (March 31, 2015: ₹ 132) were converted to loans under the aforesaid facility. During the year ended March 31, 2016, the Company repaid loans of ₹ 3,657 (March 31, 2015: ₹ 3,917) to Biocon.

	March 31, 2016	March 31, 2015
27. Other disclosures		
(i) Earnings in foreign currency (accrual basis)		
Research fees	831	734
Licensing and development fees	3,195	72
Other non-operating income	3	83
	4,029	**889**
Recovery of product research & development costs from co-development partners amounting to ₹ Nil (March 31, 2015: ₹ 184) is not included above.		
(ii) Expenditure in foreign currency (accrual basis)		
Travelling and conveyance (refer note 34)	3	-
Legal and professional fees	60	170
Research and development expenses	407	59
Others	3	9
	473	**238**
(iii) Details of consumption of consumables		
(Charged as Research & development expenses)		
Indigenous:		
Consumables		
- Resins	9	9
- Reference Product	39	82
	48	**91**
(iv) Value of imports calculated on CIF basis		
Lab consumables	203	141
Spare parts (included in repairs & maintenance - others)	4	4
Capital goods (includes capital work-in-progress)	43	14
	250	**159**
28. Capital and other commitments		
(i) Capital commitments		
The estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2016, net of advances, is ₹ 6 (March 31, 2015:- ₹ 10)		
(ii) Operating lease commitments		
Not later than one year	37	37
Later than one year and not later than five years	-	78
Vehicles		
The Company has taken vehicles for certain employees under operating leases, which expires over a period upto December, 2019. Gross rental expenses for the year aggregate to ₹ 1 (March 31, 2015 - ₹ 1). The committed lease rentals in future are as follows:		
Not later than one year	1	1
Later than one year and not later than five years	1	1
29. Contingent liabilities		
Claims against the Company not acknowledged as debt -		
- Direct taxation (matters pertaining to disputes on tax holiday benefits and disallowance of certain expenses claimed by the Company)	496	496

The Company is involved in taxation and other disputes, lawsuits, proceedings etc. that arise from time to time in the ordinary course of business. Management is of the view that such claims are not tenable and will not have any material adverse effect on the Company's financial position and results of operations.

	March 31, 2016	March 31, 2015
30. Unhedged foreign currency exposures		
Trade receivables	546	293
Balance in special foreign currency account	41	5
Other receivables (current)	55	62
Advance from co-development partner (current)	-	8
Packing credit foreign currency loan (unsecured)	-	685
Trade payable and payable for capital goods	404	35

31. Employee benefit plans

The Company has a defined benefit gratuity plan as per The Payment of Gratuity Act, 1972. The plan is unfunded.

The following table summarise the components of net benefit expense recognised in the statement of profit and loss and amounts recognised in the balance sheet.

	March 31, 2016	March 31, 2015
Fund balance		
Defined benefit obligation	27	20
Plan liability	**27**	**20**
The change in present value of the defined benefit obligation of the gratuity plan for the year ended March 31, 2016 and March 31, 2015 is as follows:		
Change in benefit obligation		
Benefit obligation at the beginning of the year	20	15
Current service cost	2	4
Interest cost	2	1
Benefits paid	(1)	(1)
Actuarial (gain)/ loss on obligation	4	1
Benefit obligation at the end of the year	**27**	**20**
Statement of profit and loss		
Net employee benefit expense recognised in the employee cost		
Current service cost	2	4
Interest cost	2	1
Net actuarial (gain)/ loss recognised during the year	4	1
Net gratuity cost	**8**	**6**

Experience adjustment	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
Defined benefit obligation (refer note 34)	27	20	16	13	-
Surplus/ (Deficit) (refer note 34)	(27)	(20)	(16)	(13)	-
Experience adjustments on plan liabilities (refer note 34)	(3)	(1)	-	(1)	-
Experience adjustments on plan assets	-	-	-	-	-

The principal assumptions used in determining gratuity benefit obligation for the Company's plan are shown below:

	March 31, 2016	March 31, 2015
Interest rate	7.48%	8.75%
Discount rate	7.48%	7.93%
Salary increase	9.00%	9.00%
Attrition rate upto age 44	26.00%	26.00%
Attrition rate above age 44	7.00%	7.00%
Retirement age - Years	58	58

(This space has been intentionally left blank)

32. Segment Information

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 Accounting Standard 17 'Segment Reporting' other than those already provided in the financial statements.

Geographical segments

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

	March 31, 2016	March 31, 2015
Revenue		
India	27	18
Exports	4,026	806
	4,053	**824**
The following is the carrying amount of segment assets by geographical area in which the assets are located:		
Carrying amount of segment assets		
India *	1,269	2,044
Outside India	601	355
	1,870	**2,399**

* All tangible fixed assets and intangible assets are located in India.

33. Recovery of product research & development costs from co-development partner (net) pertains to co-development partner's share of expenses under the development agreements comprising of payroll costs, depreciation and amortisation and other expenses.

34. Amounts in the financial statements are presented in Rs millions and hence are rounded off to nearest million, except for per share data and as otherwise stated. In case the amount is less than Rs. 0.5 million amount is disclosed as "-".

35. Previous year figures

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

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration no.: 101049W

per Aditya Vikram Bhauwala
Partner
Membership no.: 208382

Bengaluru
April 25, 2016

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, 2016