Independent Auditor's Report

To the Members of Biocon Pharma Limited

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

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

Management's Responsibility for the Ind AS Financial Statements

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

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility

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

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

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

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2018, its loss (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in the paragraph 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
   (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) the Balance Sheet, the Statement of Profit and Loss, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

(d) in our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act;

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

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

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

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

   ii. the Company has made provision, as required under the applicable law or accounting standards, for the material foreseeable losses, if any, on long-term contracts including derivative contracts. Refer note 22 to the Ind AS financial statements;

   iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and

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

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

Sampad Guha Thakurta
Partner
Membership number: 060573

Place: Bengaluru
Date: 26 April 2018

Annexure - A to the Independent Auditor's Report

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

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

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

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

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

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

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

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the bank and the financial institution. The Company did not have any borrowings during the year from the government and by way of debentures.

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

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

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

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

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the Ind AS 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 para 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.

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

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

Sampad Guha Thakurta
Partner
Membership number: 060573

Place: Bengaluru
Date: 26 April 2018

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

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

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

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

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

Sampad Guha Thakurta
Partner
Membership number: 060573

Place: Bengaluru
Date: 26 April 2018

Balance Sheet as at March 31, 2018

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

	Note	March 31, 2018	March 31, 2017
ASSETS			
Non-current assets			
Capital work-in-progress	3	1,862.25	1,129.92
Financial assets			
(i) Investments	4	548.54	93.70
(ii) Derivative asset		24.86	22.35
(iii) Other financial assets	5	0.10	0.10
Income tax asset (net)		5.93	1.87
Other non-current assets	6(a)	68.52	64.66
Total non-current assets		**2,510.20**	**1,312.60**
Current assets			
Financial assets			
(i) Cash and cash equivalents	7	-	448.75
(ii) Derivative asset		14.52	-
Other current assets	6(b)	3.49	-
Total current assets		**18.01**	**448.75**
TOTAL		**2,528.21**	**1,761.35**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	8(a)	140.50	120.50
Other equity	8(b)	(53.05)	10.41
Total equity		**87.45**	**130.91**
Non-current liabilities			
Financial liabilities			
(i) Borrowings	9	2,075.58	1,296.24
Provisions	10(a)	1.73	-
Deferred tax liability (net)	11	-	7.63
Total non-current liabilities		**2,077.31**	**1,303.87**
Current liabilities			
Financial liabilities			
(i) Trade payables	12	21.51	1.08
(ii) Derivative liability		-	0.30
(iii) Other financial liabilities	13	335.25	324.23
Provisions	10(b)	1.56	-
Other current liabilities	14	5.13	0.96
Total current liabilities		**363.45**	**326.57**
TOTAL		**2,528.21**	**1,761.35**

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

As per our report of even date attached

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

Sampad Guha Thakurta
Partner
Membership No.: 060573

Bengaluru
April 26, 2018

for **and on behalf of the Board of Directors of Biocon Pharma Limited**

Kiran Mazumdar-Shaw
Director
DIN: 00347229

Arun Chandavarkar
Director & CEO
DIN: 01596180

Siddharth Mittal
Chief Financial Officer

Bengaluru
April 26, 2018

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

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

	Note	Year ended March 31, 2018	Year ended March 31, 2017
Income			
Other income	15	1.04	59.96
Total income		**1.04**	**59.96**
Expenses			
Employee benefits expense	16	36.66	-
Finance costs	17	-	47.31
Other expenses	18	52.80	4.03
Total expenses		**89.46**	**51.34**
Profit / (loss) before tax		**(88.42)**	**8.62**
Tax expenses			
Current tax	20	-	4.18
		-	**4.18**
Profit / (loss) for the year		**(88.42)**	**4.44**
Other comprehensive income			
(i) Items that will be reclassified subsequently to profit or loss			
Effective portion of gains on hedging instrument in cash flow hedges		17.33	39.60
Income tax effect		7.63	(12.70)
Other comprehensive income for the year, net of taxes		**24.96**	**26.90**
Total comprehensive income / (losses) for the year, net of taxes		**(63.46)**	**31.34**
Earnings / (Loss) per equity share			
Basic and Diluted (in ₹)	25	(6.65)	0.60

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

As per our report of even date attached

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

Sampad Guha Thakurta
Partner
Membership No.: 060573

Bengaluru
April 26, 2018

for **and on behalf of the Board of Directors of Biocon Pharma Limited**

Kiran Mazumdar-Shaw
Director
DIN: 00347229

Arun Chandavarkar
Director & CEO
DIN: 01596180

Siddharth Mittal
Chief Financial Officer

Bengaluru
April 26, 2018

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

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

A. Equity share capital

	March 31, 2018	March 31, 2017
Opening balance	120.50	50.50
Issue of equity share capital	20.00	70.00
Closing balance	**140.50**	**120.50**

B. Other equity

Particulars	Other equity		Total other equity
	Retained earnings / (loss)	Cash flow hedging reserves	
Balance as at April 01, 2016	**(22.45)**	**1.52**	**(20.93)**
Profit for the year	4.44	-	4.44
Other comprehensive income	-	26.90	26.90
Total comprehensive income for the year	**4.44**	**26.90**	**31.34**
Balance as at March 31, 2017	**(18.01)**	**28.42**	**10.41**
Loss for the year	(88.42)	-	(88.42)
Other comprehensive income	**-**	**24.96**	**24.96**
Total comprehensive income / (loss) for the year	**(88.42)**	**24.96**	**(63.46)**
Balance as at March 31, 2018	**(106.43)**	**53.38**	**(53.05)**

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

As per our report of even date attached

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

Sampad Guha Thakurta
Partner
Membership No.: 060573

Bengaluru
April 26, 2018

for **and on behalf of the Board of Directors of Biocon Pharma Limited**

Kiran Mazumdar-Shaw
Director
DIN: 00347229

Arun Chandavarkar
Director & CEO
DIN: 01596180

Siddharth Mittal
Chief Financial Officer

Bengaluru
April 26, 2018

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

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

		Year ended March 31, 2018	Year ended March 31, 2017
I	Cash flows from operating activities		
	Profit / (loss) for the year	(88.42)	4.44
	Adjustments to reconcile profit for the year to net cash flows:		
	Unrealised foreign exchange loss	3.58	2.52
	Interest expense	-	47.31
	Tax expense	-	4.18
	Interest income	-	(59.96)
	Operating loss before working capital changes	**(84.84)**	**(1.51)**
	Movements in working capital		
	Increase in other assets	(8.77)	(49.24)
	Increase / (decrease) in trade payable, other liabilities and provisions	40.56	(5.59)
	Cash generated from operating activities	**(53.05)**	**(56.34)**
	Direct taxes paid, net	(4.06)	(6.05)
	Net cash flow used in operating activities	**(57.11)**	**(62.39)**
II	Cash flows from investing activities		
	Purchase of tangible assets	(687.03)	(653.84)
	Investment in subsidiary	(454.84)	(67.10)
	Investment in bank deposits	-	(772.00)
	Redemption/ maturity of bank deposits	-	1,692.00
	Interest received	-	60.21
	Net cash flow from/ (used in) investing activities	**(1,141.87)**	**259.27**
III	Cash flows from financing activities		
	Proceeds from issuance of share capital	20.00	70.00
	Proceeds from long-term borrowings	774.00	163.30
	Repayment of long-term borrowings	-	(292.00)
	Interest paid	(41.70)	(50.59)
	Net cash flow from/ (used in) financing activities	**752.30**	**(109.29)**
IV	Net increase / (decrease) in cash and cash equivalents (I + II + III)	**(446.68)**	**87.59**
V	Effect of exchange differences on cash and cash equivalents held in foreign currency	(2.07)	(2.21)
VI	Cash and cash equivalents at the beginning of the year	448.75	363.37
VII	Cash and cash equivalents at the end of the year (IV + V + VI)	**-**	**448.75**
	Reconciliation of cash and cash equivalents as per statement of cash flow		
	Cash and cash equivalents		
	Balances with banks - on current accounts	-	448.75
	Total cash and cash equivalents [refer note 7]	**-**	**448.75**

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

As per our report of even date attached

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

Sampad Guha Thakurta
Partner
Membership No.: 060573

Bengaluru
April 26, 2018

for **and on behalf of the Board of Directors of Biocon Pharma Limited**

Kiran Mazumdar-Shaw
Director
DIN: 00347229

Arun Chandavarkar
Director & CEO
DIN: 01596180

Siddharth Mittal
Chief Financial Officer

Bengaluru
April 26, 2018

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

(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 Pharma Limited ("BPL" or "the Company"), wholly owned subsidiary of Biocon Limited, was incorporated on October 31, 2014 under the Companies Act, 2013 as a public limited company. The Company is domiciled in India and has its registered office in Bengaluru, Karnataka. The Company is engaged in the development and manufacture of pharmaceutical formulations for sale in developed markets. The Company is in the process of setting up its formulations manufacturing facility for oral solid dosages at Biocon SEZ, Bengaluru. As at March 31, 2018 the Company has not commenced its business operations.

1.2 Basis of preparation of financial statements

a) Statement of compliance

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

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, 2018. These financial statements were authorised for issuance by the Company's Board of Directors on April 26, 2018.

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

b) Functional and presentation currency

These financial statements are presented in Indian rupees (INR), which is also the functional currency of the Company. All amounts have been rounded-off to the nearest 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 which are measured at fair value; and
- Net defined benefit assets / (liability) which are measured at fair value of plan assets, less present value of defined benefit obligations.

d) Use of estimates and judgements

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

Judgements

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

- Note 1.2(b) — Assessment of functional currency;
- Note 2(a) and 22 — Financial instruments;
- Note 2(f) and 20 — 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 ending March 31, 2018 is included in the following notes:

- Note 11 and 20 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 21 – measurement of defined benefit obligation; key actuarial assumptions;
- Note 10 and 24 – recognition and measurement of provisions, contingencies and commitments: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 22 – impairment of financial assets;

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 22 – 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)

a. Financial instruments (continued)

- 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.

Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to 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. Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in statement of profit and loss.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in other equity under 'effective portion of cash flow hedges'. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in statement of profit and loss.

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to statement of profit and loss.

vi. 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 property, plant and equipment including self-constructed items, 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.

c. 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

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.

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 which 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.

d. 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 in the period in which the absences occur.

e. 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.

f. 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.

g. 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.

h. 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.

i. Recent Indian Accounting Standards (Ind AS)

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

Ind AS 21 The effect of changes in Foreign Exchange rates

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

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

3. Capital work-in-progress

	Amount
Gross carrying amount	
At April 01, 2016	149.74
Additions	980.18
At March 31, 2017	**1,129.92**
Additions	732.33
At March 31, 2018	**1,862.25**

(a) Capital work-in-progress comprise of the new manufacturing unit being set up in India. Also refer Note 9 (a).

(b) Borrowing costs capitalized during the year amounted to ₹ 51.15 (March 31, 2017 - ₹ Nil).

4. Non-current investments

	March 31, 2018	March 31, 2017
I. Unquoted equity instruments		
In subsidiary company at cost:		
140,000 (March 31, 2017 - 140,000) equity shares of USD 10 each in Biocon Pharma Inc.	93.70	93.70
II. Unquoted preference instruments		
In subsidiary company at cost:		
200,000 (March 31, 2017 - Nil) preference shares of USD 10 each in Biocon Pharma Inc.	129.39	-
III. Preference share application money pending allotment	325.45	-
Total non-current investments	**548.54**	**93.70**
Aggregate value of unquoted investments	548.54	93.70
Aggregate provision for diminution in value of investments	-	-

(a) During the year ended March 31,2016 Biocon Pharma Inc was incorporated as a wholly owned subsidiary in United States of America to engage in the commercialisation of generic formulations.

	March 31, 2018	March 31, 2017
5. Other non-current financial assets		
Deposits	0.10	0.10
	0.10	**0.10**
6. Other assets		
(a) Non-current		
Capital advances	3.51	4.93
Balances with statutory / government authorities	65.01	59.73
	68.52	**64.66**
(b) Current		
Advance to suppliers	3.49	-
	3.49	**-**
7. Cash and cash equivalents		
Cash and cash equivalents		
Balances with banks:		
On current accounts	-	448.75
Total cash and cash equivalents	**-**	**448.75**

	March 31, 2018	March 31, 2017
8(a). Equity share capital		
Authorised		
20,000,000 (March 31, 2017 - 20,000,000) equity shares of ₹ 10 each (March 31, 2017 - ₹ 10 each)	200.00	200.00
Issued, subscribed and fully paid-up		
14,050,000 (March 31, 2017 - 12,050,000) equity shares of ₹ 10 each (March 31, 2017 - ₹ 10 each)	140.50	120.50

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

Equity shares	March 31, 2018		March 31, 2017	
	No.	₹ Million	No.	₹ Million
At the beginning of the year	12,050,000	120.50	5,050,000	50.50
Issued during the year	2,000,000	20.00	7,000,000	70.00
Outstanding at the end of the year	**14,050,000**	**140.50**	**12,050,000**	**120.50**

(ii) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. 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, 2018		March 31, 2017	
	No.	% holding	No.	% holding
Equity shares of ₹ 10 each fully paid				
Biocon Limited, the holding company (including shares held through nominees)	14,050,000	100	12,050,000	100

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

8(b). Other equity

Retained earnings

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

Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses (net of taxes, if any)arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges.

9. Long-term borrowings

	March 31, 2018	March 31, 2017
Other loans and advances (unsecured)		
Loan from holding company [refer note 19]	774.00	-
Loans from banks (secured)		
Term loan [refer note (a) below]	1,301.58	1,296.24
	2,075.58	**1,296.24**
The above amount includes		
Secured borrowings	1,301.58	1,296.24
Unsecured borrowings	774.00	-
Net amount	**2,075.58**	**1,296.24**

(a) On February 24, 2016, the Company obtained an external commercial borrowing of USD 20 million from a bank, carrying interest @ Libor + 1.75% per annum. The loan is payable in 11 unequal quarterly instalments commencing from June 28, 2019. The loan is secured by first priority pari passu charge on the plant and machinery of the facility for the manufacture of pharmaceuticals. Further, the loan has been guaranteed by Biocon Limited, the holding company. The Company has entered into an interest rate swap converting the floating rate to fixed rate of interest. [Refer note 22]

	March 31, 2018	March 31, 2017
The Company's exposure to liquidity, interest rate and currency risks are disclosed in note 22.		

10. Provisions

(a) Non-current		
Provision for employee benefits		
Gratuity [refer note 21]	1.73	-
	1.73	**-**
(b) Current		
Provision for employee benefits		
Gratuity [refer note 21]	0.12	-
Compensated absences	1.44	-
	1.56	**-**

(i) Movement in provisions	**Gratuity**	**Compensated absences**
Balance as at March 31, 2017	-	-
Provision recognised during the year	1.85	1.44
Balance as at March 31, 2018	**1.85**	**1.44**

	March 31, 2018	March 31, 2017

11. Deferred tax liability (net)

Deferred tax (asset) / liability		
Derivatives	-	7.63
Gross deferred tax (asset) / liability	**-**	**7.63**
Net deferred tax (asset) / liability	**-**	**7.63**

12. Trade payables

Trade payables		
Total outstanding dues of micro and small enterprises	-	-
Total outstanding dues of creditors other than micro and small enterprises	21.51	1.08
	21.51	**1.08**

13. Other current financial liabilities

Payables for capital goods [refer note (a)]	311.51	324.12
Interest accrued but not due [refer note 19]	9.56	0.11
Book overdraft	14.18	-
	335.25	**324.23**

(a) Disclosure required under Clause 22 of Micro, Small and Medium Enterprise Development 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	5.24	-
Interest due on the above	0.23	-
(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	52.45	-
(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	0.86	-
(iv) Interest due and payable for the period of delay in making payment during the year	-	-
(v) The amount of interest accrued and remaining un-paid at the end of each accounting year	-	-
(vi)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	1.08	-

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. As at March 31, 2017, there are no parties registered under the said act.

14. Other current liabilities

Statutory taxes payable	5.13	0.96
	5.13	**0.96**

	Year ended March 31, 2018	Year ended March 31, 2017
15. Other income		
Interest income on:		
Deposits with banks	-	59.96
Foreign exchange gain, net	1.04	-
	1.04	**59.96**
16. Employee benefits expense		
Salaries, wages and bonus	33.60	-
Contribution to provident and other funds	1.51	-
Employee stock compensation expense [refer note 26]	1.54	-
Staff welfare expenses	0.01	-
	36.66	**-**
17. Finance costs		
Interest expense on financial liability measured at amortised cost		
Term loan	-	43.34
Loan from holding company	-	3.97
	-	**47.31**
	March 31, 2017	**March 31, 2016**
18. Other expenses		
Professional charges [refer note (a) below]	5.75	0.20
Insurance	-	0.43
Rates, taxes and fees	0.02	0.08
Foreign exchange loss, net	-	2.66
Printing and stationery	0.18	-
Research and development expenses	46.83	-
Miscellaneous expenses	0.02	0.66
	52.80	**4.03**
(a) Payments to auditors:		
Statutory audit fee	0.15	0.15
In other capacity:		
Other services (certification fees)	0.09	-
Reimbursement of out-of-pocket expenses	0.02	-
	0.26	**0.15**

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19. Related Party Disclosures:

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

Sl No	Name of related party	Relationship	Description	April 1, 2017 to March 31, 2018 Expenses / (Income) / Other Transaction	March 31, 2018 Payables/ (Receivables)	April 1, 2016 to March 31, 2017 Expenses / (Income) / Other Transaction	March 31, 2017 Payables/ (Receivables)
1	Biocon Limited	Holding Company	Investment in equity Shares	(20.00)	-	(70.00)	-
			Cross charges towards other expenses	88.96	-	7.11	-
			Other payables	-	59.89	-	5.59
			Loan from holding company [refer note (c)below]	(774.00)	774.00	(128.70)	-
			Power and facility charges recovered	97.53	-	-	-
			Purchase of goods	65.61	-	-	-
			Rent	2.51	-	-	-
			Interest on Long Term Borrowing	10.15	-	3.97	-
			Share based payments	1.54	-	-	-
2	Biocon Pharma Inc	Subsidiary	Investment in equity shares	-	-	67.10	-
			Investment in preference shares	454.84	-	-	-

(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 Research Limited, a subsidiary of Biocon Limited
(iii) NeoBiocon FZ LLC, a JV of Biocon Limited
(iv) Biocon SA, a subsidiary of Biocon Limited
(v) Biocon SDN BHD, a step down subsidiary of Biocon Limited
(vi) Syngene International Limited, a subsidiary of Biocon Limited
(vii) Biocon Biologics Limited, a subsidiary of Biocon Limited
(viii) Biocon FZ LLC, a subsidiary of Biocon Limited
(ix) Biocon Biologics India Limited, a step down subsidiary of Biocon Limited
(x) Biocon Healthcare Sdn Bhd, a subsidiary of Biocon Limited
(xi) Syngene USA Inc., a step down subsidiary of Biocon Limited

(c) The Company had obtained an unsecured loan facility upto ₹ 1000 from Biocon Limited at prevailing market rate of interest for a period of three years to set up its manufacturing facility. The maximum amount of loan outstanding during the year was ₹ 774 (March 31, 2017 ₹ 260).

(d) On February 24, 2016, the Company obtained an external commercial borrowing of USD 20 million from a bank, carrying interest @ Libor + 1.75% per annum which has been guaranteed by Biocon Limited, the holding company. (March 31, 2018 Rs.1,301.58, March 31, 2017 ₹ 1,296.24).

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

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

20. Tax expense

		March 31, 2018	March 31, 2017
(a)	**Amount recognised in Statement of profit and loss**		
	Current tax	-	4.18
	Deferred tax expense / (income) related to:		
	Origination and reversal of temporary differences	-	-
	Tax expense for the year	**-**	**4.18**
(b)	**Reconciliation of effective tax rate**		
	Profit / (loss) before tax and exceptional item	(88.42)	8.62
	Tax at statutory income tax rate 34.608% (March 31, 2017 - 33.063%)	(30.60)	2.85
	Tax effets of amounts which are not deductible / (taxable) in calculating taxable income		
	Tax losses for which no deferred income tax was recognised	30.60	1.33
	Others	-	-
	Income tax expense	**-**	**4.18**

(c) Recognized deferred tax assets and liabilities

For the year ended March 31, 2018	Opening Balance	Recognized in profit or loss	Recognized in OCI	Closing Balance
Deferred tax liability				
Derivative assets	13.31	-	(7.63)	5.68
Gross deferred tax liability	**13.31**	**-**	**(7.63)**	**5.68**
Deferred tax assets				
Derivative liability	5.68	-	-	5.68
Gross deferred tax assets	**5.68**	**-**	**-**	**5.68**
Net deferred tax asset / (liability)	**(7.63)**	**-**	**7.63**	**-**

For the year ended March 31, 2017	Opening Balance	Recognized in profit or loss	Recognized in OCI	Closing Balance
Deferred tax liability				
Derivative assets	0.61	-	12.70	13.31
Gross deferred tax liability	**0.61**	**-**	**12.70**	**13.31**
Deferred tax assets				
Derivative liability	5.68	-	-	5.68
Gross deferred tax assets	5.68	-	-	5.68
Net deferred tax asset / (liability)	**5.07**	**-**	**(12.70)**	**(7.63)**

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21. Employee benefit plans

(i) The Company has a defined benefit gratuity plan as per the Payment of Gratuity Act, 1972. Under the act, employees 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 monetary limit for payments. 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	Fair value of plan assets	Net defined benefit (asset)/liability
Balance as on April 01, 2017	-	-	-
Current service cost	(1.85)	-	(1.85)
Interest expense / (income)	-	-	-
Amount recognised in Statement of profit and loss *	(1.85)	-	(1.85)
Balance as at March 31, 2018	**(1.85)**	**-**	**(1.85)**

	March 31, 2018	March 31, 2017
Current	0.12	-
Non current	1.73	-
	1.85	**-**

(ii) The assumptions used for gratuity valuation are as below:

	March 31, 2018	March 31, 2017
Interest rate	7.2%	NA
Discount rate	7.2%	NA
Expected return on plan assets	NA	NA
Salary increase	9.0%	NA
Attrition rate	14% - 30%	NA
Retirement age - Years	58	NA

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 8 years (March 31, 2017 - NA).

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:

	March 31, 2018		March 31, 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(0.18)	0.13	NA	NA
Salary increase (1% movement)	0.13	(0.12)	NA	NA
Attrition rate (1% movement)	(0.04)	0.05	NA	NA

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	0.12
2nd Following year	0.16
3rd Following year	0.17
4th Following year	0.18
5th Following year	0.22
Years above 6	2.54

* Being pre-operative expenses the same is capitalized.

22. Financial intruments: Fair value and risk managements

A. Accounting classification and fair values

March 31, 2018	Carrying amount				Fair value			
	FVTPL	FVTOCI	Amotised Cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative asset	-	39.38	-	39.38	-	39.38	-	39.38
Cash and cash equivalents	-	-	-	-	-	-	-	-
Other financial asset	-	-	0.10	0.10	-	-	-	-
	-	**39.38**	**0.10**	**39.48**	**-**	**39.38**	**-**	**39.38**
Financial liabilities								
Long-term borrowings	-	-	2,075.58	2,075.58	-	-	-	-
Trade payables	-	-	21.51	21.51	-	-	-	-
Other financial liabilities	-	-	335.25	335.25	-	-	-	-
	-	**-**	**2,432.34**	**2,432.34**	**-**	**-**	**-**	**-**

March 31, 2017	FVTPL	FVTOCI	Amotised Cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative asset	-	22.35	-	22.35	-	22.35	-	22.35
Cash and cash equivalents	-	-	448.75	448.75	-	-	-	-
Other financial asset	-	-	0.10	0.10	-	-	-	-
	-	**22.35**	**448.85**	**471.20**	**-**	**22.35**	**-**	**22.35**
Financial liabilities								
Long-term borrowings	-	-	1,296.24	1,296.24	-	-	-	-
Trade payables	-	-	1.08	1.08	-	-	-	-
Derivative liability	-	0.30	-	0.30	-	0.30	-	0.30
Other current financial liabilities	-	-	324.23	324.23	-	-	-	-
	-	**0.30**	**1,621.55**	**1,621.85**	**-**	**0.30**	**-**	**0.30**

Level 1: Includes financial instruments measured using quoted prices. This includes listed equity instruments, traded bonds and mutual funds that have quoted prices. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges is valued using the closing price as at the reporting period. The mutual funds are valued using the closing NAV.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

B. Measurement of fair values

Derivative financial isntruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the market place.

Sensitivity analysis

For the fair values of forward contracts of foreign currencies, reasonably possible changes at the reporting date to one of the significant observable inputs, holding other inputs constant, would have the following effects.

Significant observable inputs	March 31, 2018 Profit or (loss)		March 31, 2017 Profit or (loss)	
	Increase	Decrease	Increase	Decrease
Spot rate of the foreign currency (1% movement)	NA	NA	NA	NA
Interest rates (100 bps movement)	(73.29)	73.29	68.14	(68.14)

C. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

(i) Risk management framework

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

(ii) Credit risk

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

Credit risk on cash and cash equivalent is limited as the Company generally invest in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies.

(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 interest rate prevailing market rate. The loan is repayable by March 31, 2020.

(b) Cash credit facility from bank as at March 31, 2018 was carrying an interest rate of 9.8% per annum. This was guaranteed by Biocon Limited, the holding company.

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

Particulars	Less than 1 year	1 - 2 years	2-5 years	5 - 7 years	Total
Long-term borrowings	-	442.54	1,633.04	-	2,075.58
Short-term borrowings	-	-	-	-	-
Trade payables	21.51	-	-	-	21.51
Other financial liabilities	335.25	-	-	-	335.25
Total	**356.76**	**442.54**	**1,633.04**	**-**	**2,432.34**

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

Particulars	Less than 1 year	1 - 2 years	2-5 years	5 - 7 years	Total
Long-term borrowings	-	-	1,296.24	-	1,296.24
Trade payables	1.08	-	-	-	1.08
Derivative liability	0.30	-	-	-	0.30
Other financial liabilities	324.23	-	-	-	324.23
Total	**325.61**	**-**	**1,296.24**	**-**	**1,621.85**

(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 a major portion of the business is transacted in several currencies 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, 2018 and March 31, 2017 are as below:

March 31, 2018	USD	EUR	Others	Total
Financial assets				
Cash and cash equivalents	-	-	-	-
Financial liabilities				
Long-term borrowings	(1,301.58)	-	-	(1,301.58)
Other current financial liabilities	(15.80)	(19.20)	-	(35.00)
Net assets / (liabilities)	(1,317.38)	(19.20)	-	(1,336.58)

March 31, 2017	USD	EUR	Others	Total
Financial assets				
Cash and cash equivalents	97.22	-	-	97.22
Financial liabilities				
Long-term borrowings	(1,296.24)	-	-	(1,296.24)
Other current financial liabilities	(33.83)	(70.78)	(3.38)	(107.99)
Net assets / (liabilities)	**(1,232.85)**	**(70.78)**	**(3.38)**	**(1,307.01)**

Sensitivity analysis

The sensivity of profit or loss to changes in exchange rates arises mainly from foreign currency denominated financial instruments and the impact on other components of equity arises from foreign exchange forward/option contracts designated as cash flow hedges.

Particulars	Impact on profit or loss		Impact on other components of equity	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
USD Sensitivity				
INR/USD - Increase by 1%	(13.17)	(11.39)	(13.17)	(11.39)
INR/USD - Decrease by 1%	13.17	11.39	13.17	11.39
EUR Sensitivity				
INR/EUR - Increase by 1%	(0.19)	(0.71)	(0.19)	(0.71)
INR/EUR - Decrease by 1%	0.19	0.71	0.19	0.71

Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the year ended March 31, 2018 and March 31, 2017 the Company's borrowings at variable rate were mainly denominated in USD.

(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, 2018	March 31, 2017
Variable rate borrowings	2,075.58	1,296.24
Fixed rate borrowings	-	-
Total borrowings	**2,075.58**	**1,296.24**

(b) Sensitivity

The Company policy is to address interest rate risk exposure using interest rate swaps to achieve this when necessary. They are therefore not subject to interest rate risk as defined under Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of change in market interest rates.

23. Capital management

The key objective of the Company's capital management is to ensure that it maintains a stable capital structure with the focus on total equity to uphold investor, creditor, and customer confidence and to ensure future development of its business. The Company focused on keeping strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowings, if required without impacting the risk profile of the Company.

The capital structure as of March 31, 2018 and March 31,2017 was as follows:

Particulars	March 31, 2018	March 31, 2017
Total equity attributable to the equity shareholders of the Company	87.45	130.91
As a percentage of total capital	4.04%	9.17%
Long-term borrowings	2,075.58	1,296.24
Short-term borrowings	-	-
Total borrowings	**2,075.58**	**1,296.24**
As a percentage of total capital	95.96%	90.83%
Total capital (Equity and Borrowings)	**2,163.03**	**1,427.15**

24. Contingent liabilities and commitments

(i) Capital Commitments:

The estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2018, net of advances, is ₹ 61.87 (March 31, 2017 - ₹ 260.25).

(ii) Contingent Liabilities:

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

25. Reconciliation of basic and diluted shares used in computing Earnings per share

Particulars	March 31, 2018	March 31, 2017
Earnings		
Profit / (loss) for the year	(88.42)	4.44
Shares		
Basic outstanding shares	12,050,000	5,050,000
Add : Weighted average shares issued during the year	1,254,795	2,333,333
Weighted average shares used for computing basic and diluted EPS	13,304,795	7,383,333
Earnings / (loss) per equity share	(6.65)	0.60

26. Employee stock compensation

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

Total number of options outstanding as at March 31, 2018 in respect of ESOP Plan 2000 and RSU plan 2015 towards the employees of the Company are 110,100 and 16,443 respectively. The Company has recorded an amount of ₹ 1.54 as cost of the above stock option plans. The Company reimburses the cost to Biocon Limited.

27. Disclosure on Specified Bank Notes (SBNs)

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

Amount in Rupees

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

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

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

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

As per our report of even date attached

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

Sampad Guha Thakurta
Partner
Membership No.: 060573

Bengaluru
April 26, 2018

for **and on behalf of the Board of Directors of Biocon Pharma Limited**

Kiran Mazumdar-Shaw
Director
DIN: 00347229

Arun Chandavarkar
Director & CEO
DIN: 01596180

Siddharth Mittal
Chief Financial Officer

Bengaluru
April 26, 2018