

Independent Auditor's Report

To the Members of Biocon Research 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 Research 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, profit (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 profit (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 has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 26 to the Ind AS 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; 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

With respect to the Annexure referred to in Independent Auditors' Report to the members of the Company on the Ind AS financial statements of Biocon Research Limited for the year ended 31 March 2018, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) The Company has a regular programme of physical verification of its property, plant and equipment by which all property, plant and equipment are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain property, plant and equipment 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) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the services provided by the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax, value added tax, duty of customs, service tax, goods and service tax, cess and other material statutory dues have been generally regularly deposited during the year with the appropriate authorities. As explained to us, the Company did not have any dues on account of duty of excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, value added tax, duty of customs, service tax, goods and service tax, cess 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, sales tax, value added tax, service tax, goods and service tax, and duty of customs and cess which have not been deposited with the appropriate authorities on account of any dispute other than following dues:

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

- (viii) According to the information and explanations given to us, the Company did not have any borrowings during the year from banks, financial institutions and government and by way of debentures.
- (ix) According to the information and explanations given to us, the Company has not raised any money by way of term loans, public issue or further public offer (including debt instruments) during the year.
- (x) According to the information and explanations given to us, no material fraud 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 Research 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 Research 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 Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by 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			
Property, plant and equipment	3	410	467
Capital work-in-progress	3	105	-
Intangible assets	3	5	7
Financial assets			
(i) Investments	4(a)	-	972
Deferred tax assets (net)	5	192	293
Income tax assets (net)		114	36
Other non-current assets	6(a)	20	14
Total non-current assets		846	1,789
Current assets			
Financial assets			
(i) Investments	4(b)	1,115	-
(ii) Trade receivables	7	1,150	942
(iii) Cash and cash equivalents	8	123	30
Other current assets	6(b)	6	12
Total current assets		2,394	984
TOTAL		3,240	2,773
EQUITY AND LIABILITIES			
Equity			
Equity share capital	9(a)	1	1
Other equity	9(b)	978	403
Total equity		979	404
Non-current liabilities			
Financial liabilities			
(i) Borrowings	10	1,633	1,923
Provisions	11(a)	29	27
Other non-current liabilities	12(a)	13	16
Total non-current liabilities		1,675	1,966
Current liabilities			
Financial liabilities			
(i) Trade payables	13	444	299
(ii) Other financial liabilities	14	115	74
Provisions	11(b)	11	14
Other current liabilities	12(b)	16	16
Total current liabilities		586	403
TOTAL		3,240	2,773

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 Research Limited

Kiran Mazumdar-Shaw

Director

DIN: 00347229

Siddharth Mittal

Authorised Signatory

Bengaluru
April 26, 2018

John Shaw

Director

DIN: 00347250

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			
Revenue from operations	15	2,181	1,647
Other income	16	9	10
Total income		2,190	1,657
Expenses			
Employee benefits expense	17	506	386
Finance costs	18	137	123
Depreciation and amortisation expense	19	98	98
Other expenses	20	776	659
Total expenses		1,517	1,266
Profit before tax		673	391
Tax expenses			
Current tax	25	141	20
Deferred tax			
MAT credit entitlement		(141)	(20)
Other deferred tax		242	(270)
Total tax expense		242	(270)
Profit for the year		431	661
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement gains/(losses) on defined benefit plans		1	(2)
Income tax effect		-	1
Equity investments through other comprehensive income - net change in fair value		143	255
Other comprehensive income for the year, net of taxes		144	254
Total comprehensive income for the year, net of taxes		575	915
Earnings per equity share			
Basic and diluted (in ₹)		861.90	1,322.00
Weighted average number of equity shares used in computing earnings per share			
Basic and diluted		500,000	500,000

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

As per our report of even date attached

for **B S R & Co. LLP**

Chartered Accountants

Firm Registration Number: 101248W/W-100022

Sampad Guha Thakurta

Partner

Membership No.: 060573

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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	1	1
Changes in equity share capital during the year	-	-
Closing balance	1	1

B. Other equity

	Retained earnings / (loss)	Other items of the comprehensive income	Total other equity
Balance as at April 01, 2016	(872)	360	(512)
Profit for the year	661	-	661
Other comprehensive income	-	254	254
Total comprehensive income for the year	661	254	915
Balance as at March 31, 2017	(211)	614	403
Profit for the year	431	-	431
Other comprehensive income	-	144	144
Total comprehensive income for the year	431	144	575
Balance as at March 31, 2018	220	758	978

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 Research Limited

Kiran Mazumdar-Shaw

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Bengaluru
April 26, 2018

John Shaw

Director

DIN: 00347250

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 for the year	431	661
<u>Adjustments to reconcile profit for the year to net cash flows:</u>		
Depreciation and amortisation (net)	98	98
Unrealised foreign exchange (gain)/loss	(12)	11
Interest expense	137	123
Interest income	-	(7)
Tax expense	242	(270)
Dividend income	(2)	-
Operating profit before working capital changes	894	616
Movements in working capital		
Increase in trade receivables	(201)	(419)
Decrease in loans and advances and other assets	-	78
Increase/ (decrease) in trade payable, other liabilities and provisions	123	(225)
Cash generated from operating activities	816	50
Direct taxes paid, net	(219)	32
Net cash flow generated from operating activities	597	82
II Cash flows from investing activities		
Purchase of tangible assets	(87)	(49)
Purchase of intangible assets	-	(5)
Interest received	-	7
Dividend received	2	-
Net cash flow used in investing activities	(85)	(47)
III Cash flows from financing activities		
Proceeds from long-term borrowings	738	794
Repayment of long-term borrowings	(1,149)	(869)
Interest paid	(14)	(2)
Net cash flow used in financing activities	(425)	(77)
IV Net (decrease)/increase in cash and cash equivalents (I + II + III)	87	(42)
V Effect of exchange differences on cash and cash equivalents held in foreign currency	6	5
VI Cash and cash equivalents at the beginning of the year	30	67
VIII Cash and cash equivalents at the end of the year (IV + V + VI)	123	30
Reconciliation of cash and cash equivalents as per statement of cash flow		
Cash and cash equivalents		
Balances with banks - on current accounts	123	30
Cash on hand	-	-
Total cash and cash equivalents [refer note 8]	123	30

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

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Kiran Mazumdar-Shaw

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Bengaluru
April 26, 2018

John Shaw

Director

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Notes to the 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 Research Limited ("the Company") was incorporated in India on May 28, 2008, as a wholly owned subsidiary of Biocon Limited. The Company is a public limited company incorporated and domiciled in India and has its registered office in Bengaluru, Karnataka. The Company is engaged in providing research and development services to other companies of the Biocon Group.

1.2 Basis of preparation of financial statements

a) Statement of compliance

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

These financial statements have been prepared for the Company as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date, March 31, 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 are measured at fair value; and
- Net defined benefit assets/(liability) are measured at fair value of plan assets, less present value of defined benefit obligations;

Use of estimates and judgements

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

Judgements

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

- Note 1.2(b) – Assessment of functional currency;
- Note 2(a) and 23 – Financial instruments;
- Note 2(b) and 2(c) – Useful lives of property, plant and equipment and intangible assets;
- Note 2(h) and 25 – Provision for income taxes and related tax contingencies and Evaluation of recoverability of deferred tax assets.

1.3 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2018 is included in the following notes:

- Note 5 and 25 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 22 – measurement of defined benefit obligation; key actuarial assumptions;
- Note 23 – impairment of financial assets; and
- Note 11 and 26 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

1.4 Measurement of fair values

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

2 Significant accounting policies

a. Financial instruments

i. Recognition and initial measurement

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

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

ii. Classification and subsequent measurement

Financial assets

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

- Amortised cost;
- Fair value through other comprehensive income (FVOCI) – debt investment;
- Fair value through other comprehensive income (FVOCI) – equity investment; or
- FVTPL

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

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets: Subsequent measurement and gains and losses

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

Financial liabilities: Classification, subsequent measurement and gains and losses

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

iii. Derecognition

Financial assets

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

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

Financial liabilities

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

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

iv. Offsetting

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

v. Cash and cash equivalents

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

b. Property, plant and equipment

i. Recognition and measurement

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

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

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

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

ii. Depreciation

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

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

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

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

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

c. Intangible assets

Internally generated: Research and development

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

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

Others

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

i. Subsequent expenditure

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

ii. Amortisation

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

- Computer software 3-5 years

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

d. Impairment

i. Impairment of financial assets

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

- financial assets measured at amortised cost; and
- financial assets measured at FVOCI- debt investments.

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

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

ii. Impairment of non-financial assets

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

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

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

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

e. Employee benefits

i. Gratuity

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

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

The Company recognises the net obligation of a defined benefit plan as a liability in its balance sheet. Gains or losses through re-measurement of the net defined benefit liability are recognised in other comprehensive income and are not reclassified to profit and loss in the subsequent

periods. The actual yields computed by applying the discount rate used to measure the defined benefit obligation is recognised in other comprehensive income. The effect of any plan amendments are recognised in the statement of profit and loss.

ii. Provident Fund

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

iii. Compensated absences

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

f. Provisions (other than for employee benefits)

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

Onerous contracts

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

g. Revenue

i. Milestone payments and out licensing arrangements

The Company enters into certain dossier sales, licensing and supply arrangements that, in certain instances, include certain performance obligations. Based on an evaluation of whether or not these obligations are inconsequential or perfunctory, the Company recognises or defers the upfront payments received under these arrangements. The deferred revenue is recognised in the Standalone statement of operations in the period in which remaining performance obligations are completed.

These arrangements typically also consist of subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. Milestone payments which are contingent on achieving certain clinical milestones are recognised as revenues either on achievement of such milestones, if the milestones are considered substantive, or over the period we have continuing performance obligations, if the milestones are not considered substantive. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

ii. Research services

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

iii. Dividends

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

iv. Interest income or expense

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

h. Income taxes

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

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

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

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

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

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

i. Borrowing cost

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

j. Earnings per share

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

k. 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 115	Revenue from Contracts with Customers
Ind AS 21	The effect of changes in Foreign Exchange rates

Ind AS 115 – Revenue from Contracts with Customers

Ind AS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition standard Ind AS 18 Revenue, Ind AS 11 Construction Contracts when it becomes effective.

The core principle of Ind AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

Under Ind AS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Company is evaluating the possible impact of Ind AS 115 and will adopt the standard effective April 1, 2018. The standard allows for two methods of adoption: the full retrospective adoption, which requires the standard to be applied to each prior period presented, or the modified retrospective adoption, which requires the cumulative effect of adoption to be recognized as an adjustment to opening retained earnings in the period of adoption.

The Company does not expect the impact of the adoption of the new standard to be material.

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. Property, plant and equipment, capital work-in-progress and intangible assets

	Property, plant and equipment				Total	Capital work-in-progress [Refer note (a)]	Intangible assets	
	Plant and equipment	Research & development equipment	Furniture and fixtures	Vehicles			Computer software	Total
Gross carrying amount								
At April 01, 2016	262	586	3	-	851	10	31	31
Additions	22	47	7	3	79	(10)	5	5
At March 31, 2017	284	633	10	3	930	-	36	36
Additions	10	29	-	-	39	105	-	-
At March 31, 2018	294	662	10	3	969	105	36	36
Accumulated depreciation/ amortisation								
At April 01, 2016	96	273	1	-	370	-	24	24
Depreciation/ amortisation for the year	28	64	1	-	93	-	5	5
At March 31, 2017	124	337	2	-	463	-	29	29
Depreciation/ amortisation for the year	31	63	2	-	96	-	2	2
At March 31, 2018	155	400	4	-	559	-	31	31
Net carrying amount								
At March 31, 2017	160	296	8	3	467	-	7	7
At March 31, 2018	139	262	6	3	410	105	5	5

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

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	March 31, 2018	March 31, 2017
4. Investments		
(a) Non-current quoted equity instruments at FVOCI:		
Syngene International Limited - Nil (March 31, 2017 - 1,866,673) equity shares of ₹ 10 each	-	972
Total quoted non-current investments	-	972
Aggregate book value of quoted investments	-	972
Aggregate value of quoted investments (market value)	-	972
Aggregate provision for diminution in value of investments	-	-
(b) Current quoted equity instruments at FVOCI:		
Syngene International Limited - 1,866,673 (March 31, 2017 - Nil) equity shares of ₹ 10 each	1,115	-
Total quoted current investments	1,115	-
Aggregate book value of quoted investments	1,115	-
Aggregate value of quoted investments (market value)	1,115	-
Aggregate provision for diminution in value of investments	-	-
The Company designated the investment shown above as equity shares at FVOCI.		
5. Deferred tax assets (net)		
Deferred tax asset		
Tax losses	17	262
Defined benefit obligations	12	15
MAT credit entitlement	161	20
Property, plant and equipment and intangible assets	2	-
Gross deferred tax asset	192	297
Deferred tax liability		
Property, plant and equipment and intangible assets	-	4
Gross deferred tax liability	-	4
Net deferred tax asset	192	293
6. Other assets		
(a) Non-current		
Balances with statutory/government authorities	20	14
	20	14
(b) Current		
Advances to suppliers	4	-
Prepayments	2	12
	6	12
7. Trade receivables		
Unsecured, considered good [refer note 21]	1,150	942
	1,150	942
The Company's exposure to credit and currency risks, and loss allowances are disclosed in note 23.		
8. Cash and cash equivalents		
Balances with banks:		
On current accounts	123	30
Cash on hand [refer note (a) below]	-	-
Total cash and cash equivalent	123	30
(a) The Company has cash on hand which are not disclosed above since amounts are rounded off to Rupees million.		

	March 31, 2018	March 31, 2017
9(a) Equity share capital		
Authorised		
1,000,000 (March 31, 2017 - 1,000,000) equity shares of ₹ 1 each (March 31, 2017 - ₹ 1 each)	1	1
Issued, subscribed and fully paid-up		
500,000 (March 31, 2017 - 500,000) equity shares of ₹ 1 each (March 31, 2017 - ₹ 1 each)	1	1

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

Equity shares	March 31, 2018		March 31, 2017	
	No.	₹ Million	No.	₹ Million
At the beginning of the year	500,000	1	500,000	1
Issued during the year	-	-	-	-
Outstanding at the end of the year	500,000	1	500,000	1

(ii) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 1 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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

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

	March 31, 2018		March 31, 2017	
	No.	% holding	No.	% holding
Equity shares of ₹ 1 each fully paid				
Biocon Limited, the Holding Company (including shares held through nominees)	500,000	100%	500,000	100%

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

9(b) Other equity

Retained earnings

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

	March 31, 2018	March 31, 2017
10. Long-term borrowings		
Loan from the holding company (unsecured)	1,633	1,923
	1,633	1,923

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

The maximum amount outstanding during the year to Biocon Limited was ₹ 2,496 (March 31, 2017 - ₹ 1,965).

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

	March 31, 2018	March 31, 2017
11. Provision		
(a) Non-current		
Provision for employee benefits		
Gratuity [refer note 22]	29	27
	29	27
(b) Current		
Provision for employee benefits		
Gratuity [refer note 22]	3	4
Compensated absences	8	10
	11	14

(i) Movement in provisions	Gratuity	Compensated absences
Balance as at March 31, 2017	31	10
Provision recognised/(reversed) during the year	1	(2)
Balance as at March 31, 2018	32	8

	March 31, 2018	March 31, 2017
12. Other liabilities		
(a) Non-current		
Deferred revenues	13	16
	13	16
(b) Current		
Deferred revenues	3	3
Statutory dues	13	13
	16	16

13. Trade payables

Trade payables [refer note (a) below]		
Total outstanding dues of micro and small enterprises	11	-
Total outstanding dues of creditors other than micro and small enterprises [refer note 21]	433	299
	444	299

(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	11	-
Interest due on the above	-	-

(ii) The amount of interest paid by the buyer in terms of Section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year

	30	3
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(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

	-	-
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(iv) The amount of interest accrued and remaining un-paid at the end of each accounting year

	-	-
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(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

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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.

14. Other financial liabilities

Current		
Interest accrued but not due [refer note 21]	28	26
Book overdraft	-	18
Payables for capital goods	87	30
	115	74

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	Year ended March 31, 2018	Year ended March 31, 2017
15. Revenue from operations		
Sale of services		
Research fees	1,962	1,631
Licensing and development fees	3	-
Other operating revenues		
Export incentives	181	-
Others [refer note (a) below]	35	16
	2,181	1,647
 (a) Others include royalty income amounting to ₹ 32 (March 31, 2017- ₹ 16).		
16. Other income		
Interest income on		
Others	-	7
Dividend income from		
Non- current investments	2	-
Other non-operating income	7	3
	9	10
17. Employee benefits expense		
Salaries, wages and bonus	446	354
Contribution to provident and other funds	19	15
Gratuity [refer note 22]	6	5
Share based payments to employees [refer note 27]	23	-
Staff welfare expenses	12	12
	506	386
18. Finance costs		
Interest expense on		
Loan from holding company	137	121
Others	-	2
	137	123
19. Depreciation and amortisation expense		
Depreciation of tangible assets [refer note 3]	96	93
Amortisation of intangible assets [refer note 3]	2	5
	98	98

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	Year ended March 31, 2018	Year ended March 31, 2017
20. Other expenses		
Rent	52	42
Communication expenses	1	1
Travelling and conveyance	30	26
Professional charges	3	1
Payments to auditors [refer note (a) below]	1	1
Power and fuel	55	48
Lab consumables	493	391
Repairs and maintenance		
Plant and machinery	63	40
Buildings	2	1
Others	12	9
Printing and stationery	-	4
Foreign exchange loss, net	6	-
Research & development expenses	48	85
Miscellaneous expenses	10	10
	776	659
 (a) Payments to auditors:		
As auditor:		
Statutory audit fee	1	1
Tax audit fee [refer note (b) below]	-	-
In other capacity:		
Reimbursement of out-of-pocket expenses [refer note (b) below]	-	-
	1	1

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

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21. Related party disclosure

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

Name of the related party	Relationship	Description	April 1, 2018 to March 31, 2018 Expenses/(Income)/ Other transactions	Balance as at March 31, 2018 (Payable)/ Receivable	April 1, 2016 to March 31, 2017 Expenses/(Income)/ Other transactions	Balance as at March 31, 2017 (Payable)/ Receivable
Biocon Limited	Holding company	Research fees	(684)	-	(243)	-
		Royalty income	(32)	-	(16)	-
		Research and development expenses	-	-	12	-
		Rent expenses	52	-	42	-
		Power fuel	55	-	46	-
		Staff welfare expenses towards canteen charges	5	-	5	-
		Share based payments to employees	23	-	-	-
		Expenses incurred by related party on behalf of the Company	17	-	-	-
		Sale of export incentive scrips	(181)	-	-	-
		Purchase of goods	-	-	6	-
		Trade receivables	-	202	-	39
		Trade payables	-	(164)	-	-
		Loan from Holding Company, net [refer note (c) below]	290	(1,633)	(468)	(1,923)
		Interest on long-term borrowings	137	(28)	121	(26)
Syngene International Limited	Fellow subsidiary	Research and development expenses	1	-	3	-
		Dividend Income	(2)	-	-	-
		Staff welfare expenses	-	-	1	-
		Trade payables	-	(7)	-	(7)
Biocon SA	Fellow subsidiary	Research fees	(53)	-	(501)	-
		Trade receivables	-	39	-	484
Biocon Biologics Limited	Fellow subsidiary	Research fees	(723)	-	(780)	-
		Licensing and development fees	(3)	-	-	-
		Trade receivables	-	526	-	324
Biocon SDN BHD	Fellow subsidiary	Research fees	(502)	-	(107)	-
		Trade receivables	-	365	-	104

(a) All transactions with these related parties are priced at arm's length basis.

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

(c) The loan from Holding Company is presented net of repayments due to multiple transactions.

(d) Fellow subsidiary companies with whom the Company did not have any transactions:

- (i) Biocon Academy, a subsidiary of Biocon Limited
- (ii) Biocon Pharma Limited, a subsidiary of Biocon Limited
- (iii) Biocon FZ LLC, a subsidiary of Biocon Limited
- (iv) Biocon Pharma Inc., a subsidiary of Biocon Pharma Limited
- (v) Biocon Biologics India Limited, a subsidiary of Biocon Biologics Limited
- (vi) Biocon Healthcare SDN BHD, a subsidiary of Biocon Limited
- (vii) Syngene USA Inc, a subsidiary of Syngene International Limited

22. Employee benefit plans

- (i) The Company has a defined benefit gratuity plan as per the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefit provided depends on the employee's length of service and salary at retirement/termination age and does not have any maximum 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	
	March 31, 2018	March 31, 2017
Balance as at beginning of the year	31	27
Current service cost	4	3
Interest expense	2	2
Amount recognised in Statement of profit and loss	6	5
Remeasurements:		
Return on plan assets, excluding amounts included in interest expense/(income)		
Actuarial loss arising from:		
Financial assumptions	(1)	1
Experience adjustment*	-	1
Amount recognised in other comprehensive income	(1)	2
Employers contribution	-	-
Benefits paid	(4)	(3)
Balance as at end of the year	32	31
Current	3	4
Non current	29	27
Total	32	31

(ii) The assumptions used for gratuity valuation are as below:	March 31, 2018	March 31, 2017
Interest rate	7.4%	6.9%
Discount rate	7.4%	6.9%
Salary increase	9.0%	9.0%
Attrition rate	14% - 30%	14% - 30%
Retirement age - Years	58	58

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

The weighted average duration of the defined benefit obligation was 7 years (March 31, 2017 - 9 years).

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

- (iii) Sensitivity analysis

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

Particulars	March 31, 2018		March 31, 2018	
	Increase	Decrease	Increase	Decrease
Discount rate - 1% Change	(2)	2	(2)	2
Salary increase - 1% Change	2	(2)	2	(2)
Attrition rate* - 1% Change	-	-	-	-

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

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

Maturity profile of defined benefit obligation

Particulars	Rs. Million
1st Following year	4
2nd Following year	4
3rd Following year	4
4th Following year	4
5th Following year	5
Years above 5	33

23. Financial instruments: Fair value and risk managements

A. Accounting classification and fair values

March 31, 2018	Carrying amount				Fair value			
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Investments	-	1,115	-	1,115	1,115	-	-	1,115
Trade receivables	-	-	1,150	1,150	-	-	-	-
Cash and cash equivalents	-	-	123	123	-	-	-	-
	-	1,115	1,273	2,388				
Financial liabilities								
Long-term borrowings	-	-	1,633	1,633	-	-	-	-
Trade payables	-	-	444	444	-	-	-	-
Other current financial liabilities	-	-	115	115	-	-	-	-
	-	-	2,192	2,192				
March 31, 2017	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Investments	-	972	-	972	972	-	-	972
Trade receivables	-	-	942	942	-	-	-	-
Cash and cash equivalents	-	-	30	30	-	-	-	-
	-	972	972	1,944				
Financial liabilities								
Long-term borrowings	-	-	1,923	1,923	-	-	-	-
Trade payables	-	-	299	299	-	-	-	-
Other current financial liabilities	-	-	74	74	-	-	-	-
	-	-	2,296	2,296				

B. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

(i) Risk management framework

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

(ii) Credit risk

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

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

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The maximum exposure to credit risk as at reporting date is primarily from trade receivables amounting to ₹ 1,150 (March 31, 2017: ₹ 942). There is no allowance for expected credit loss in respect of trade and other receivables during the year.

(iii) Liquidity risk

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

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

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

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

Particulars	Less than 1 year	1 - 2 years	2-5 years	Total
Long-term borrowings	-	1,633	-	1,633
Trade payables	444	-	-	444
Other financial liabilities	115	-	-	115
Total	559	1,633	-	2,192

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	Total
Long-term borrowings	-	-	1,923	1,923
Trade payables	299	-	-	299
Other financial liabilities	74	-	-	74
Total	373	-	1,923	2,296

(iv) Market risk

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

Foreign currency risk

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

Exposure to foreign currency is monitored on an ongoing basis and the Company endeavours to keep the net exposure at an acceptable level by buying or selling foreign currencies at spot rate when necessary.

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				
Trade receivables	944	-	-	944
Cash and cash equivalents	120	-	-	120
Financial liabilities				
Trade payables	(86)	(5)	(3)	(94)
Other current financial liabilities	(56)	(3)	(5)	(64)
Net assets / (liabilities)	922	(8)	(8)	906
March 31, 2017	USD	EUR	Others	Total
Financial assets				
Trade receivables	907	-	-	907
Cash and cash equivalents	24	-	-	24
Financial liabilities				
Trade payables	(188)	(7)	(2)	(197)
Other current financial liabilities	(20)	-	-	(20)
Net assets / (liabilities)	723	(7)	(2)	714

Sensitivity analysis

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

Particulars	Impact on profit or loss		Impact on other components of equity	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
USD Sensitivity				
INR/USD - Increase by 1%	9	7	9	7
INR/USD - Decrease by 1%	(9)	(7)	(9)	(7)
EUR Sensitivity				
INR/EUR - Increase by 1% (refer note (i) below)	-	-	-	-
INR/EUR - Decrease by 1% (refer note (i) below)	-	-	-	-

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

Cash flow and fair value interest rate risk

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

(a) Interest rate risk exposure

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

Particulars	March 31, 2018	March 31, 2017
Variable rate borrowings	1,633	1,923
Total borrowings	1,633	1,923

(b) Sensitivity

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

Particulars	March 31, 2018 Profit or (loss)		March 31, 2017 Profit or (loss)	
	Increase	Decrease	Increase	Decrease
Significant observable inputs				
Interest rates (100 bps movement)	(16)	16	(19)	19

24. Capital management

The Company's objective when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain market confidence and to sustain future development of the business. In order to fund its operations, the Company has obtained an unsecured loan facility upto ₹ 6,500 on July 24, 2014 from Biocon Limited, carrying an interest at prevailing market rates for supporting its operation and funding research and development activities. The loan is repayable by March 31, 2020. The maximum amount outstanding during the year to Biocon Limited was ₹ 2,496 (March 31, 2017 - ₹ 1,965).

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25. Tax expense

	Year ended March 31, 2018	Year ended March 31, 2017
(a) Amount recognised in Statement of profit and loss		
Current tax	141	20
Deferred tax expense / (income) related to:		
MAT credit entitlement	(141)	(20)
Origination and reversal of temporary differences	242	(270)
Tax expense for the year	242	(270)
In March 2018, a new corporate tax rate has been enacted where in the corporate tax rate effective from April 1, 2018 will be reduced from 34.61% to 29.12%. This change resulted in loss of ₹ 5 for the year ended March 31, 2018 related to the remeasurement of deferred tax assets and liabilities.		
(b) Reconciliation of effective tax rate		
Profit before tax	673	391
Tax at statutory income tax rate 34.61% (March 31, 2017 - 34.61%)	233	135
<i>Tax effects of amounts which are not deductible / (taxable) in calculating taxable income</i>		
Exempt income	(1)	(59)
Tax losses	-	(343)
Non-deductible expense	8	-
Others	2	(3)
Income tax expense	242	(270)

(c) Recognised deferred tax assets and liabilities

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

For the year ended March 31, 2018	Opening balance	Recognised in profit or loss	Recognised in OCI	Closing balance
Deferred tax asset				
Tax losses	262	(245)	-	17
Defined benefit obligations	15	(3)	-	12
MAT credit entitlement	20	141	-	161
Property, plant and equipment, investment property and intangible assets	-	2	-	2
Gross deferred tax asset	297	(105)	-	192
Deferred tax liability				
Property, plant and equipment, investment property and intangible assets	4	(4)	-	-
Gross deferred tax liability	4	(4)	-	-
Net deferred tax asset	293	(101)	-	192
For the year ended March 31, 2017	Opening balance	Recognised in profit or loss	Recognised in OCI	Closing balance
Deferred tax asset				
Tax losses	-	262	-	262
Defined benefit obligations	2	12	1	15
MAT credit entitlement	-	20	-	20
Property, plant and equipment, investment property and intangible assets	-	-	-	-
Gross deferred tax asset	2	294	1	297
Deferred tax liability				
Property, plant and equipment, investment property and intangible assets	-	4	-	4
Gross deferred tax liability	-	4	-	4
Net deferred tax asset	2	290	1	293

26. Contingent liabilities and commitments

	March 31, 2018	March 31, 2017
(a) 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)	42	496
(b) Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	261	6
(c) Operating lease commitments		
Where the Company is a lessee:		
Vehicles:		
The Company had taken vehicles for certain employees under operating lease. Gross rental expenses for the year aggregated to ₹ Nil (March 31, 2017 - ₹ 1). The committed lease rentals in future are as follows:		
Not later than one year	-	1
Later than one year and not later than five years	-	1

27. 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 1,349,600 and 144,464 respectively. The Company has recorded an amount of ₹ 23 as cost of the above stock option plans. The Company reimburses the cost to Biocon Limited.

28. Segmental reporting

Business segments

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

Geographical segments

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

Revenue from operations	March 31, 2018	March 31, 2017
India	894	259
United Kingdom	723	780
Malaysia	502	107
Rest of the world	62	501
	2,181	1,647

The following is the carrying amount of assets by geographical area in which the assets are located:

Carrying amount of non-current assets

India	654	524
Outside India	-	-
	654	524

Note: Non-current assets excludes financial instruments and deferred tax.

Significant clients

The revenues from the below clients were individually more than 10% of the Company's total revenue.

Biocon Biologics Limited	726	780
Biocon Limited	716	243
Biocon SDN BHD	502	107
Biocon SA*	53	501

* Revenue from Biocon SA for the year ended March 31, 2018 is less than 10% of Company's total revenue. However, disclosed since previous year's revenue was more than 10% of total revenue.

29. Disclosure on Specified Bank Notes (SBNs)

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

Particulars	Amount in Rupees		
	SBNs*	Other denomination notes	Total
Closing cash in hand as on November 8, 2016	156,500	114	156,614
(+) Permitted receipts	-	100,000	100,000
(-) Permitted payments	-	(1,355)	(1,355)
(-) Amount deposited in Banks	(156,500)	-	(156,500)
Closing cash in hand as on December 30, 2016	-	98,759	98,759

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

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

As per our report of even date attached

for **B S R & Co. LLP**

Chartered Accountants

Firm Registration Number: 101248W/W-100022

Sampad Guha Thakurta

Partner

Membership No.: 060573

Bengaluru
April 26, 2018

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

Kiran Mazumdar-Shaw

Director

DIN: 00347229

Siddharth Mittal

Authorised Signatory

Bengaluru
April 26, 2018

John Shaw

Director

DIN: 00347250