

INDEPENDENT AUDITOR'S REPORT

TO THE PARTNERS OF M/S. RECON PHARMCEUTICALS AND INVESTMENTS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of M/s. Recon Pharmaceuticals and Investments, [hereinafter referred as "the entity"] which comprise the balance sheet as at March 31, 2024, the Profit and Loss Account, and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the entity are prepared, in all material respects, in accordance with the generally accepted accounting standards applicable to Partnership Firm in India.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Management of the entity is responsible for the preparation of the financial statements in accordance with the generally accepted accounting standards applicable to partnership firm in India and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) 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 our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration No.: 106625W

Date: 9th May, 2024
UDIN: 24129675BKBMMA5391
Place: Ahmedabad

sd/-
Karnik K. Shah
Partner
Membership No.: 129675

M/s Recon Pharmaceuticals and Investments
Cash Flow Statement for the year ended March 31, 2024

| Particulars | INR-Thousand | |
|---------------------------------------------------------------|---------------------|--------------|
| | Year ended March 31 | |
| | 2024 | 2023 |
| A Cash flows from operating activities: | | |
| Profit before tax | 1,471 | 1,982 |
| Adjustments for: | | |
| Interest income | (1,413) | (1,671) |
| Operating profit before working capital changes | 58 | 311 |
| Adjustments for: | | |
| Decrease in trade receivable | - | 10,996 |
| [Increase] in other current assets | (196) | (1,467) |
| [Decrease] in trade payables | | (9,996) |
| Increase/[Decrease] in other current liabilities | (2) | (64) |
| Total | (198) | (531) |
| Cash generated [used in]/from operations | (140) | (220) |
| Direct taxes paid | (770) | (1,001) |
| Net cash [used in] operating activities | (910) | (1,221) |
| B Cash flows from investing activities: | | |
| Interest income | 1,502 | 1,671 |
| Investment in Fixed deposit [Net] | (2,150) | |
| Proceeds from redemption of non convertible debenture | 5,50,000 | 4,00,000 |
| Net cash from from investing activities | 5,49,352 | 4,01,671 |
| C Cash flows from financing activities: | | |
| Partner's Capital withdrawal | (5,48,000) | (4,01,200) |
| Net cash [used in] financing activities | (5,48,000) | (4,01,200) |
| Net Increase/[Decrease] in cash and cash equivalents | 442 | (750) |
| Cash and cash equivalents at the beginning of the year | 3,085 | 3,835 |
| Cash and cash equivalents at the end of the year | 3,527 | 3,085 |

Notes to the Cash Flow Statement

- The above cash flow statement has been prepared under the "Indirect method" as set out in AS-3 "Statement of Cash Flows".
- All figures in brackets are outflows.
- Summary of Cash and cash equivalents, Liquid Mutual funds and Fixed Deposits more than 12 months:

| | As at March 31 | | |
|--------------------------------------|----------------|-------|-------|
| | 2024 | 2023 | 2022 |
| a Cash and Cash Equivalents | 3,527 | 3,085 | 3,835 |
| b Fixed Deposits more than 12 months | 2,150 | - | - |
| c Total | 3,527 | 3,085 | 3,835 |

As per our report of even date

For Mukesh M. Shah & Co.,

Chartered Accountants

Firm Registration Number: 106625W

sd/-

Karnik K. Shah

Partner

Membership Number: 129675

Ahmedabad, Dated: May 9, 2024

For Recon Pharmaceuticals and Investments

sd/-

German Remedies Pharmaceuticals Pvt. Ltd.

Partner

sd/-

Zydus Healthcare Ltd.

Partner

M/s. Recon Pharmaceuticals and Investments

Firm Overview:

M/s Recon Pharmaceuticals and Investment ["the firm"] operates in the business of investment in Pharmaceutical, Healthcare and allied services business. It also deals in trading activities.

Note : 1 - Significant Accounting Policies :

A Basis of Preparation :

The financial statements are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India and comply with the Accounting Standards issued by the Institute of Chartered Accounts of India.

B Use of Estimates :

The preparation of Financial Statements in conformity with the Accounting Standards generally accepted in India requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenses for the reporting period. While actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future reporting periods.

C Property plant & equipment :

- a All items of Property plant & equipment are stated at acquisition cost net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that is directly attributable to the acquisition of the items. Subsequent costs are included in the carrying amount of asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of Profit and loss during the year in which they are incurred.
- b Asset under construction as at the balance sheet date are shown as Capital Work in Progress.
- c If any Property plant & equipment is disposed/ sold its losses or Gain are recognised in Statement of Profit and Loss Account.

D Depreciation :

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible Property plant & equipment has been provided on the "straight line method method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Depreciation on additions / disposals of the Property plant & equipment during the year is provided on pro-rata basis according to the period during which assets are put to use. Leasehold land are amortized over the period of the lease. Free-hold land are not depreciated/amortized.

E Impairment of Assets :

At each balance sheet date, the firm assesses whether there is any indication that an asset may be impaired. If any such indication exists, the firm estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the profit and loss account to the extent the carrying amount exceeds recoverable amount.

F Inventories :

- a Stock-in-Trade is valued at lower of cost [Net of Input tax credit availed] and net realisable value.
- b Cost [Net of Input tax credit availed] of Stock-in-Trade is determined on Moving Average Method.
- c Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

G Investments :

- a Long Term Investments are stated at cost including directly attributable cost. A provision for diminution in the value of long term investments is made only if such is other than temporary, in the opinion of partners.
- b Current Investments are stated at lower of cost and fair value.

H Revenue Recognition:

- a Revenue from sale of goods is recognised when significant risks & rewards of ownership of the goods is passed on to the buyers.
- b Interest income is recognised on time proportionate method.
- c Revenue in respect of other income is recognised when no significant uncertainty as to its determination or realisation exists.

I Provisions, Contingent Liabilities and Contingent Assets:

Provision is recognised when the firm has a present obligation as a result of past events and it is probable that the outflow of resources will be required to settle the obligation and in respect of which reliable estimates can be made. A disclosure for contingent liability is made when there is a possible obligation, that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision/ disclosure is made. Contingent assets are not recognised in the financial statements. Provisions and contingencies are reviewed at each balance sheet date and adjusted to reflect the correct management estimates.

J Provision for Taxation :

- a Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.
- b Deferred Tax resulting from "timing difference" between book profit and taxable profit is accounted for using the tax rates and laws that have been enacted or substantially enacted as on the Balance Sheet Date. The Deferred Tax Asset is recognized and carried forward only to the extent that there is reasonable certainty that the asset will be realized in future.

K Leases :

Lease arrangements where the risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognised as operating leases. Lease rental under operating leases are recognised in Statement of Profit and loss on straight line basis over the lease term.

L Cash and Cash equivalents :

Cash and Cash equivalents in the balance sheet comprise cash in hand and balance with bank.

M Government Grant :

Government grant is recognized only when there is reasonable certainty of its collection. Interest subsidy is treated as revenue item being recognized in books on receipts basis.

N Borrowing cost :

Interest and other cost in connection with the borrowing of the fund to the extent related/attribution to the acquisition or construction of Property plant & equipment are capitalized only with respect qualifying fixed assets i.e. Those which take substantial period of time to get ready for its intend use. All other borrowing cost charge to statement of profit & Loss.

M/s Recon Pharmaceuticals and Investments
Notes to the Financial Statements

| | INR-Thousand | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------|
| | As at March 31 | |
| | 2024 | 2023 |
| Note : 2 - Partners' Fixed Capital Accounts : | | |
| Name of Partners | | |
| German Remedies Pharmaceuticals Private Limited | 100 | 100 |
| Zydus Healthcare Limited | 900 | 900 |
| | 1,000 | 1,000 |
| Note : 3 - Partners' Current Capital Accounts : | | |
| Name of Partners | | |
| [A] Zydus Healthcare Limited.: | | |
| Opening balance | 14,52,240 | 18,52,245 |
| [Less]: Withdrawal during the year | (5,48,000) | (4,01,200) |
| Add: Profit for the year | 894 | 1,195 |
| Closing balance | 9,05,134 | 14,52,240 |
| [B] German Remedies Pharmaceuticals Private Limited.: | - | |
| Opening balance | 649 | 516 |
| Add: Profit for the year | 99 | 133 |
| Closing balance | 748 | 649 |
| Total | 9,05,882 | 14,52,889 |
| Note : 4 - Short Term Provisions : | | |
| Provision for Taxation [Net of advance payment of tax of Rs. 1,36,575/- {as at March 31, 2023 Rs. NIL}] | 343 | 635 |
| Others | 25 | 27 |
| Total | 368 | 662 |
| Note : 5 - Other Current Liabilities : | | |
| Others | 137 | |
| Total | 137 | - |
| Note : 6 - Non Current Investments : | | |
| Investment in debentures of M/s. Zydus Foundation [Refer Note No. 8] | - | 14,50,000 |
| | - | 14,50,000 |
| Note : 7 - Other Non Current Assets : | | |
| Fixed deposits with banks having maturity more than 12 months | 2,150 | - |
| | 2,150 | - |
| Note: The firm keeps fixed deposits with the Nationalised/ Schedule bank, which can be withdrawn by the firm as per its own discretion/ requirement of funds. | | |
| Note : 8 - Current Investments : | | |
| Investment in debentures of M/s. Zydus Foundation 900, 0.10% Non Convertible Debenture of Rs. 10 lakh each [P.Y. 1450, 0.10% Non Convertible Debenture of Rs. 10 lakh each] | 9,00,000 | - |
| | 9,00,000 | - |
| Note : 9 - Cash and Cash Equivalents : | | |
| Balances with Banks | 3,527 | 3,085 |
| Total | 3,527 | 3,085 |
| Note : 10 - Short Term Loans and Advances | | |
| Balances with statutory authorities | 1,662 | 1,466 |
| Interest Receivable | | |
| - Fixed Deposit | 35 | - |
| - Others | 13 | - |
| Total | 1,710 | 1,466 |

**M/s Recon Pharmaceuticals and Investments
Notes to the Financial Statements**

| | INR-Thousand | |
|-----------------------------------------------|---------------------|--------------|
| | Year ended March 31 | |
| | 2024 | 2023 |
| Note : 11 -Sales : | | |
| Sales of Products | 1,220 | 3,820 |
| Total | 1,220 | 3,820 |
| Note : 12 - Other income | | |
| Interest on debentures | 1,378 | 1,671 |
| Interest on Fixed Deposit | 35 | |
| Total | 1,413 | 1,671 |
| Note : 13 - Purchase of Stock-in-Trade | | |
| Purchase of Stock-in-Trade | 1,109 | 3,472 |
| Total | 1,109 | 3,472 |
| Note : 14 - Finance cost | | |
| Interest on Late payment of tax | 16 | |
| Total | 16 | - |
| Note : 15 - Other Expenses : | | |
| Audit fees | 25 | 25 |
| Rates and Taxes | 12 | 12 |
| Total | 37 | 37 |

Note: 16 Related party transactions

Information on Related Parties as required by Accounting Standard-18, "Related Party Disclosures" issued by The Institute of Chartered Accountants of India are given below :

A Name of the Related Parties and Nature of the Related Party Relationship:

a Partners

German Remedies Pharmaceuticals Private Limited

Zydus Healthcare Limited

b Holding company of the partners

Zydus Lifesciences Limited

c Fellow Subsidiaries :

Zydus Wellness Limited

Zydus Wellness Products Limited

Liva Nutritions Limited

Liva Investment Limited

Zydus Animal Health and Investments Limited

Dialforhealth Unity Limited

Dialforhealth Greencross Limited

Violio Healthcare Limited

Zydus Pharmaceuticals Limited

Biochem Pharmaceutical Private Limited

Zydus Strategic Investments Limited

Zydus VTEC Limited

Zydus Foundation

Zydus International Private Limited [Ireland]

Zydus Netherlands B.V. [the Netherlands]

Zydus Lanka (Private) Limited [Sri Lanka]

Zydus Nikkho Farmaceutica Ltda. [Brazil]

Alidac Healthcare (Myanmar) Limited [Myanmar]

Zydus Healthcare Philippines Inc. [Philippines]

Zydus Pharmaceuticals (USA) Inc. [USA]

LM Manufacturing India Private Limited

LM Manufacturing Limited

Medsolutions (Europe) Limited

Zydus Pharmaceuticals [Canada] Inc.

LiqMeds Lifecare Limited [UK]

LiqMeds Limited [UK]

Nesher Pharmaceuticals (USA) LLC [USA]

ZyVet Animal Health Inc. [USA]

Zydus Healthcare (USA) LLC [USA]

Sentynl Therapeutics Inc. [USA]

Zydus Noveltech Inc. [USA] [dissolved on December 15, 2023]

Hercon Pharmaceuticals LLC [USA] [dissolved on May 24, 2023]

Viona Pharmaceuticals Inc. [USA]

Zydus Therapeutics Inc. [USA]

Zydus Healthcare S.A. (Pty) Ltd [South Africa]

Alidac Pharmaceuticals Pty. Limited [South Africa] [Formally

Known as Simayla Pharmaceuticals (Pty) Ltd [South Africa]]

Script Management Services (Pty) Ltd [South Africa]

Zydus France, SAS [France]

Laboratorios Combix S.L. [Spain]

Etna Biotech S.R.L. [Italy]

Zydus Pharmaceuticals Mexico SA De C.V. [Mexico]

Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]

Zydus Worldwide DMCC [Dubai]

Zydus Wellness International DMCC [Dubai]

Zydus Lifesciences Global FZE [UAE]

Zydus Wellness [BD] Pvt Ltd [Bangladesh]

Zynext Ventures PTE. LTD. [Singapore]

Zydus Pharmaceuticals UK Limited [UK]

Zynext Ventures USA LLC [USA]

LiqMeds Worldwide Limited [UK]

M/s Recon Pharmaceuticals and Investments

Notes to the Financial Statements

Note: 16 Related party transactions-continued

B Transactions with Related Parties:

The following transactions were carried out with the related parties in the ordinary course of business and at arm's length terms:

a Details relating to parties referred to in Note 16-A [a,b & c]

| <u>Nature of Transactions</u> | INR-Thousand | |
|-------------------------------------------------|---------------------------|---------------------------|
| | Year ended Mar 31 2024 | Year ended Mar 31 2023 |
| Sales | | |
| Zydus Lifesciences Limited | | 3,820 |
| Zydus Animal Health and Investments Limited | 1,220 | |
| Withdrawal from current capital | | |
| Zydus Healthcare Limited | 5,48,000 | 4,01,200 |
| Interest received on debentures | | |
| Zydus Foundation | 1,378 | 1,671 |
| Profit sharing | | |
| German Remedies Pharmaceuticals Private Limited | 99 | 133 |
| Zydus Healthcare Limited | 894 | 1,195 |
| Total | 993 | 1,328 |
| Balances | | |
| Outstanding: | | |
| Payable: | | |
| Zydus Foundation | 137 | - |
| Receivable: | | |
| Zydus Foundation | 9,00,000 | 14,50,000 |

Note 17:

Figures of previous reporting year have been regrouped/ reclassified to conform to current year's classification.

Signatures to Significant Accounting Policies and Notes 2 to 17 to the Financial Statements

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

For Recon Pharmaceuticals and Investments

sd/-
German Remedies Pharmaceuticals Pvt. Ltd.
Partner

sd/-
Karnik K. Shah
Partner
Membership Number: 129675
Ahmedabad, Dated: May 9, 2024

sd/-
Zydus Healthcare Ltd.
Partner